ERRORS

OF

POPULISM

BY

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PREFACE

The main purpose of this book is to call attention to a few of the many errors and misrepresentations regarding our financial history with which Populist books and pamphlets and speeches abound.

To a great extent the Populist books and pamphlets that have been scattered broadcast all over the land for years past are made up of statements intended to fill the minds of the readers with error and prejudice. It is difficult enough to form correct theories from facts known just as they are. Theories and conclusions derived from supposed facts must inevitably be wrong; and this accounts for many of the wild and visionary notions of Populists. Where people have not had access to reliable sources of information these pamphlets and books have done much to mislead those who really desire to form correct political theories. And there are many worthy men in the Populist party who would leave it could they learn the positive truth in regard to the historical facts which have thus been distorted and even falsified.

At the end of each chapter references are given so that the reader may investigate, and see for himself that I present correctly the teachings of Populism as set forth by representative party leaders.

There are also references to some of the standard historical and financial works, and government reports, which sustain my statements and arguments.

Respectfully,

HERMON W. CRAVEN.

Seattle, Wash., July 4, 1896.

CHAPTER I.

CAPITALISTS IN 1860-61.—WERE THEY ROBBERS OR PATRIOTS?—THE SEVENTH REGIMENT OF NEW YORK. —THE $150,000,000 LOAN.

Throughout the Populist literature there is an effort to inflame the minds of the people, especially the laboring classes, against the rich by false statements regarding the position that the moneyed class of the North, especially the capitalists of New York, assumed in 1860 and 1861.

It is claimed that when war seemed imminent; when the minds of the people generally were filled with dismal forebodings; when mothers on bended knees were praying that the storm cloud of war might pass, the capitalists rejoiced in the prospect; and that when the dreaded crisis came they refused to loan money to the government except at a rate of interest ranging from 24 to 36 per cent. per annum, were lacking in patriotism to the last degree, and were a greater enemy to the country than were the rebels in arms.

That this is a fair statement of Populist teaching can be verified by reference to Emery's "Seven Financial Conspiracies," which is the most widely circulated of all Populist books, and universally admitted by Populists to correctly represent their views. After telling of the general dread of war, it speaks of the capitalists as follows:

(1.) "But above all the prayers, wailings and forebodings,

the attentive listener could hear from Wall street the echoes of jubilant satisfaction and harmonious preparations for an onslaught upon the industry and prosperity of the country. * * * Do you ask why their hearts became like steel, and their thirst for human gore insatiable? Why human life had lost its sacredness and the thunderings of the war trumpet was music in their ears? * * * They rejoiced because they saw in the preparation for war their long coveted oppportunity for plunder. * * * Neither American nor foreign capitalists would loan money to the government upon any reasonable terms. * * * We learn that the money kings of Wall street graciously tendered loans to the government in her distress at from 24 to 36 per cent. interest. * * * Knowing the necessities of the government, these Shylocks determined to persist in their demands, for they had planned through the misfortune of the government to enrich and aggrandize themselves. This was why they rejoiced while others wept, this was why the tidings of war brought gladness to their hearts."

And in other Populist books (2) the assassination of President Lincoln is charged to the "money power."

It is the purpose of this chapter to show that this teaching of Populism is absolutely false, and that, at the time mentioned, the capitalists of New York and other cities came grandly to the support of the government and set an example of patriotism for the whole country to follow.

Within six hours after the news was flashed to New York that the Sixth Massachusetts regiment had been stoned in the streets of Baltimore a regiment marched through the streets of New York to take the train for the defense of Washington City, then in imminent danger of capture by the rebels. No regiment that left the city during the dark years to follow attracted the attention or excited the popular demonstration that marked the departure of that one. It seemed as if all the vast population of the metropolis had gathered along the line of march. The streets and pavements,

the windows, and even the roofs of the houses, were crowded with people aroused to the highest pitch of patriotic enthusiasm. Amid the waving of flags, the strains of martial music, and the ceaseless cheers of countless multitudes the Seventh Regiment of New York City, 1,000 strong, started for the front. Those men knew they were not going to any holiday affair. It was after the echoes of Sumter's guns had reached the remotest hamlet and warned all men that the great struggle for the nation's life had actually begun.

The example was contagious. Regiment after regiment followed in quick succession, and within ten days fully 10,000 men of the city of New York were on the march toward the capital.

The Seventh was the first regiment that the great Empire state offered in defense of the union.

Who made up that regiment?

Beyond dispute, it was composed largely of young men from the wealthy families of New York city (3). In other words, the first ones in the state who responded to the nation's startling cry for help, and offered to give up their lives for their country, were the sons and brothers, the relatives and friends of those who, we are told, were glad when the awful carnage of war began.

On April 20, 1861, was held the great mass meeting in Union Square, in New York City, at which more than 100,000 people were present. It is noted in history for the tremendous influence it had, not only in the city and state but throughout the entire North, in rousing and fixing the loyal determination that the rebellion must be put down, cost what it might. It showed that the wealth and the power of the great city were unalterably committed to the cause of the

union. Among those who took a prominent part in that meeting, and among those who formed the famous Union Defense Committee that did so much to furnish men and money for the government, were many Wall street bankers and capitalists (9).

In the face of these facts of history the Populist statements as to the lack of patriotism can not be true. Who wants to belong to a party whose leaders seek to build it up by making such statements?

What are the facts about the offer of the "Shylocks" to loan money to the government at 36 per cent. per annum? In December, 1860, the secretary of the treasury was authorized to borrow $10,000,000 at the rate of interest offered by the lowest bidders. The loan was negotiated in January, 1861, and the latter part of December, 1860, and the entire amount was obtained at rates ranging from 8 to 12 per cent. Among the bids received by the government were a few insignificant ones, aggregating in amount only $465,000, at rates ranging from 15 to 36 per cent., which were not considered; and this is all the historical basis there is for the statement, made all over the land by Populist leaders, that at that time capitalists refused to lend money to the government except at most exorbitant rates (4).

And when was it that these exorbitant offers were made? It was when state after state was passing the ordinance of secession; when Floyd, the Democratic secretary of war, was transferring rifles and muskets and munitions of war from Northern arsenals to Southern arsenals; when the Democratic secretary of the navy was sending our vessels on long cruises to distant seas so that the government might be powerless when the time came for the conspirators to strike;

when the rebels were seizing the forts in the South and vast quantities of Federal stores; when Buchanan, the Democratic president, sat in his chair with folded hands, looking upon the ruin going on all around him and saying that he knew of no constitutional means of preventing it (5). It would seem to have been a very risky venture to offer such a government money even at 36 per cent. interest.

Finally the traitorous and imbecile Democratic administration came to an end. The Republican party assumed control of the country. President Lincoln declared that secession would be resisted to the last extremity. At last the government was in safe hands and had the confidence of the loyal element of the nation. What then was the course of the bankers and capitalists when the government asked for money to put down the rebellion?

At the suggestion of a New York banker, Mr. Coe, the representatives of the banks of New York, Philadelphia and Boston had a conference with Secretary Chase as to the best means of supplying the government with money. "Men's hearts failed them; the rebellion was upon so large a scale, and had so unexpectedly broken out, and raged with such fury, that to subdue it seemed to most persons to be impossible. After careful deliberation and consultation with the secretary of the United States treasury, the banks decided it to be wise for them to depart from their usual and legitimate business and sustain the government credit, and stand or fall with it" (6). The banks of the three cities combined and arranged to loan the government $150,000,000 in three equal installments. The first installment was negotiated in August, the second in October and the third in November,

1861, when the Union arms were meeting with the most disheartening reverses.

All this vast sum was paid in coin, except a small part of the last installment, which was probably paid in demand notes, for which the government had been giving coin on presentation. At the time when the Populist leaders say the "Shylocks" were hoarding their coin, they were actually pouring it, in golden streams, into the United States treasury.

For the first $100,000,000 advanced by the banks the government gave its notes, running three years, bearing 7 3-10 per cent. interest, fundable into 20-year 6 per cent. bonds. And these notes were thus funded; so that, practically, the $100,000,000 was exchanged for bonds. For the last installment of $50,000,000 the government issued to the banks $50,000,000 in 20-year 6 per cent. bonds at a rate equivalent to par for 7 per cent. bonds, thus making a considerable rebate. After the first installment was negotiated the government, with great effort, sold directly to the people about $25,000,000 of the 7-30 notes and reimbursed the banks to that extent for money advanced. But the common people, whose willingness to aid the government is so highly lauded, were so reluctant to loan the government money at such low rates that the government made no further efforts to sell the notes and reimburse the banks, which were thus compelled to bear the whole burden.

The undertaking was so great that the banks were drained of their coin, and were compelled, with the government, to suspend specie payments December 30, 1861, when the banks found themselves loaded down with government securities that they could not

sell to the people for cost. The specie in the New York banks had been decreased more than half.

A high financial authority says: "The coin received from the Boston, New York and Philadelphia banks, in payment of their subscriptions to the government loans, to the amount of nearly $150,000,000, had to be sent to every point of the United States to meet public obligations, and, when thus scattered, was not readily returned to the banks, thus exhausting their resources and their ability to loan again" (7).

Another authority says: "The preparations for war from March 4, 1861, and its subsequent prosecution called for immense expenditures; and by December, 1861, the secretary of the treasury borrowed from the banks and capitalists of New York, Philadelphia and Boston $144,000,000, which he had required them to pay in coin; and in the course of this month these banks found themselves under the necessity of suspending specie payments" (8).

No attempt is made, or can successfully be made, to defend the men who, at a later period, gambled in gold and made themselves rich out of the necessities of the government and the people. They are to be condemned just as those are to be condemned who gambled in wheat, in meat, in clothing, and other things that the government and the people had to have, and which could to any extent be cornered. But there is no doubt that had not the bankers and capitalists, led by Wall street, come so generously and patriotically to the support of the government in 1860 and 1861 the rebellion would have been a success; and for that action they are entitled to the highest praise instead of being denounced as scoundrels and robbers. It was on a par with the action of Robert Morris, the Phila-

delphia banker, who so generously came to the assistance of the government in the Revolutionary war, and whom an ungrateful people permitted to spend the last days of his life in jail, a prisoner for debt.

1. Pages 12, 13, 14, 15: "The Silver Question," by Robert Schilling, p. 4; "The Alarm—Coming Revolution," p. 14. 2. "Imperialism in America," p. 74; "The Alarm—Coming Revolution," p. 34. 3. "Harper's Pictorial History of the Great Rebellion," vol. 1, p. 90; Lossing's "History of New York City," vol. 2, p. 726; "The American Conflict," by Horace Greeley, vol. 1, p. 469; "Rebellion Records," vol. 1, p. 80 of Documents. 4. Lalor's "Cyclopedia of Political Science," etc., vol. 3, p. 972; "United States Notes," by John Jay Knox, p. 76; Bolles' "Financial History of the United States," vol. 3, p. 5. 5. "The American Conflict," vol. 1, p. 413; Sherman's "Forty Years in the House, Senate and Cabinet," vol. 1, p. 211. 6. Lalor, vol. 3, p. 977; Bolles, vol. 3, p. 35. 7. Sherman's "Forty Years," vol. 1, p. 269. 8. "American Cyclopedia," vol. 11, p. 743. 9. Lossing's "History of New York City," vol. 2, p. 720; "Rebellion Records," vol. 1, pp. 83-109 of Documents.

CHAPTER II.

THE DEMAND NOTES AND THE GREENBACKS.—WHY DID THE DEMAND NOTES NOT DEPRECIATE?

The teaching of Populist leaders with reference to the demand notes and greenbacks is as follows: At the beginning of the war congress authorized the issue of paper money, called demand notes, a full legal tender for all debts, public and private. Because of this full legal tender quality, they were, through all the vicissitudes of the war, as good as gold. Afterward the greenbacks were issued, a full legal tender for everything except duties on imports and interest on the public debt. And because of this exception to their legal tender quality, denounced by all Populists in good and regular standing as infamous, they were not as good as gold, but depreciated greatly.

Emery says: "Following this declaration came the enactments of July 17, 1861, and February 12, 1862, authorizing the issue of $60,000,000 treasury notes, not bearing interest, and payable for all debts, public and private. * * * The issuance of this money at once brought relief to the country. * * * Commerce, industry and education received a new impetus and flourished as never before in the history of the country" (1).

Another Populist author says: "As a result a bill was passed to issue non-interest bearing treasury notes in small denominations, which were to be money for all purposes, with no exception. Sixty million dollars

of these notes were issued, known as demand notes" (2).

John Davis, Populist congressman from Kansas, said: "In the North were two sorts of paper money. The first $60,000,000 were receivable in the revenues of the government the same as coin, and legal tender for all debts. Another class of paper money issued during the war, known as greenbacks, was not receivable for duties on imports nor for interest on the public debt. * * * It sometimes went below 50 cents on the dollar because of its legal disabilities, and from no other cause" (3).

Solon C. Thayer, another Populist writer, makes the following statement: "The acts of July 17, 1861, and February 12, 1862, authorizing the issue of the full legal tender notes, were hailed with great joy by all business men, mechanics and laboring men" (12).

Similar declarations by acknowledged People's party representatives could be quoted indefinitely.

It is now proposed to give the actual historical facts relating to the issuance of the demand notes and greenbacks, and to point out some of the erroneous notions with which ignorant or dishonest leaders have imbued the rank and file of the party.

By the act of July 17, 1861, supplemented by the act of August 5, 1861, (4) congress authorized the issue of $50,000,000 of treasury notes, payable on demand by the assistant treasurers of the United States at New York, Philadelphia, Boston, St. Louis, and by the United States depositary at Cincinnati. They bore no interest, were not a legal tender for any purpose whatever except that they were receivable in payment of public dues. They were first issued in August, 1861, in payment of salaries to public officers, and they were received by all classes of people with the greatest re-

luctance. To aid their circulation, Gen. Scott issued a circular to the army, urging his men to accept them. The secretary of the treasury and other officers signed a paper agreeing to take them in payment of salaries. Secretary Chase sent a circular to the various assistant treasurers stating that the notes were being issued, "redeemable in coin on demand." Since the notes were authorized prior to the suspension of specie payments, and were proclaimed as payable in coin by the circular of the secretary, they were considered so payable (5). Thaddeus Stevens, in a speech before congress, speaking of this first issue of treasury notes, said: "When the first $50,000,000 were issued they were paid out expressly to be redeemed at the sub-treasuries when presented, and the public so understood it" (6). Secretary Chase, in his report of December 4, 1862, says, with reference to the coin redemption of these notes up to December 30, 1861: "Up to that date, every note presented for payment had been promptly redeemed in coin" (7).

Where did the government get the coin with which to redeem the notes? From the $150,000,000 coin loan of 1861, and from customs receipts.

After December 30, 1861, when only $33,460,000 of them were outstanding, the government retired them as rapidly as possible, since they were receivable for customs and embarrassed the government in providing coin for interest on the public debt. However, for temporary purposes, on February 12, 1862, $10,000,000 more demand notes, similar to the former ones, were authorized (8). It was a part of the act providing for the issue of greenbacks, February 25, 1862, that $50,000,000 of the greenbacks should be used in taking up and retiring demand notes previously issued. More

than $56,000,000 of the demand notes had been retired by July 1, 1863, and the rest soon after.

On March 17, 1862, when the amount in circulation had been greatly reduced by receipt and cancellation, congress passed an act providing that the demand notes, in addition to being receivable for duties on imports, should be "lawful money and a legal tender, in like manner, and for the same purposes, and to the same extent," as the greenbacks (9). Since the greenbacks were not a legal tender for interest on the public debt, the demand notes also lacked that quality; in other words, the demand notes never were "a full legal tender for all debts, public and private," as Populist leaders ignorantly assert. Statements that the acts authorizing them made them a full legal tender for all debts, public and private, are positively untrue. Up to March 17, 1862, they were a legal tender for nothing except government dues. At the best they had but little more of legal tender quality than the greenbacks had.

On December 30, 1861, Mr. Spaulding, a Buffalo banker, introduced into the house a bill authorizing the issue of greenbacks, a full legal tender for all debts. Great doubts were entertained as to the legal tender clause. On this account Thaddeus Stevens at first hesitated to support it, but he soon changed his mind, and supported it as "a measure of necessity, not of choice." The bill passed the house by a vote of 93 to 59.

The senate amended the bill, making the notes a full legal tender for all debts except for duties and interest on the public debt. "It was felt that if no provision was made for the payment of the interest on the bonds in coin, they would depreciate more and more,

while such payment would tend, as it did, to maintain them nearer to the specie standard. In order to obtain coin for the payment of the interest, provision was made that all duties should be paid in coin. It was felt that the duty on imported goods should not be lessened by any depreciation of our local currency. Such importations were based on coin values, and the tax levied on them was properly required to be paid in coin. This security of coin payment enabled the government to sell the bonds at a far higher rate than they would have commanded without it, and tended also to limit the depreciation of the greenbacks."

The bill thus amended passed the senate by a vote of 30 to 7, and the house by a vote of 97 to 22. It was the first law ever passed making anything but gold and silver a general legal tender in the United States. It provided for the issue of $150,000,000 of greenbacks, fundable at par into 6 per cent. 5-20 bonds, interest payable semi-annually in coin. Under the acts of July 11, 1862, and March 3, 1863, $300,000,000 more greenbacks were issued, but the act of March 3, 1863, provided that the right of the holder of greenbacks to exchange them at par for bonds should cease on July 1, 1863.

President Lincoln reluctantly gave his approval to the act authorizing the third issue of greenbacks, saying: "The currency has already become so redundant as to increase prices beyond real values, thereby augmenting the cost of living to the injury of labor, and the cost of supplies to the injury of the whole country" (10).

The demand notes were always about on a par with gold; the greenbacks depreciated and varied greatly. Just before the battle of Gettysburg greenbacks were

worth 40 cents on the dollar, and after the battle 60 cents. On June 4, 1864, the day after Grant lost 10,000 men in twenty minutes at Cold Harbor, they went down to 35 cents on the dollar, the lowest point they ever reached. For the four months just before the close of the war a dollar in gold was worth, on the average, $2.06 in greenbacks; for the four months just after the close of the war, $1.42. Since January 1, 1879, the greenbacks have been worth par with gold.

Why were the demand notes always at par? Populists say, "Because they were a full legal tender for all debts, public and private." But this can not be the reason, for, as has been shown, they never were a full legal tender for all debts, public and private. The government maintained them at par by redeeming them in coin, either directly by giving coin for them on presentation at the sub-treasuries, or indirectly by receiving a limited quantity of them, in place of gold, in payment of duties.

Why did the greenbacks depreciate in value and fluctuate? Chiefly because the government made no attempt, either directly or indirectly, to redeem them in coin, and because the credit of the government varied. They were indefinite as to time and place of payment. To a great extent, their value rose and fell with the successes and failures of the Union arms. When Lee, with the finest army that the South ever sent forth was marching through Pennsylvania, boasting, with some reason, that he would dictate terms of peace at Philadelphia, it seemed very doubtful whether Uncle Sam would ever be able to pay his notes or not; and they went down to 40 cents. After the battle his credit was better, and his notes rose in value. The successful close of the war greatly in-

creased the confidence of the holders of the notes that they would soon be paid.

If the exception clause prevented the greenbacks from being at par with gold, why has it not prevented them from being at par since January 1, 1879? The exception clause is still on the greenbacks. The bondholder may still demand coin in payment of interest or principal if he wishes to do so; and it is regulation merely, not law, that permits greenbacks to be received at the custom houses. The reason why greenbacks have been as good as gold since January 1, 1879, is because, since then, the holders have been able to get gold for them—the very reason that made the demand notes as good as gold.

Again, only $60,000,000 of demand notes were issued, and they were out but a short time, while the credit of the government was comparatively good. Up to June, 1862, the premium on gold was less than 4 per cent. The greenbacks were issued to the amout of $450,000,000 and were all outstanding during the darkest hours of the war, when the credit of the government was the poorest and the public debt was increasing at the rate of several million dollars a day. Of course the credit of the government could be kept good for a small liability much more easily than for a large liability.

Mere receivability for government dues can not maintain the value of government notes if a greater amount of notes are issued than can be used for that purpose. For, if any notes thus issued can not be used for the purpose that gives them value, their value must be lessened, just as the rent of houses in a city must fall if a much greater number of houses are built than can be used. It is right on this point that Populists make a grave error.

And if the credit of the government receiving the notes for public dues is poor, that fact greatly detracts from the value of the notes. During the war of 1812 treasury notes of this character, bearing 5 2-5 per cent. interest, were issued to the amount of $17,000,000. In 1814 these notes were in such ill-repute that no one willingly accepted them, and they were away below par with coin. But after the war came to a successful close and the credit of the government again became good, the notes sold at par (11).

As it is with men, so it is with governments. It is their ability, real or supposed, to keep their promises, that makes their promises good. Let it be again repeated, the demand notes were as good as gold because the holders could get gold for them. The greenbackers were not as good as gold because the holders could not get gold for them.

1. "Seven Financial Conspiracies," p. 16. 2. "The Alarm—Coming Revolution," p. 14. 3. Congressional Record, August 21, 1893, p. 579. 4. Congressional Globe, 1861, 1st session 37th congress, appendix, pp. 24, 40. 5. Lalor's "Cyclopedia of Political Science," etc., vol. 3, p. 976; "United States Notes," p. 90; Bolles, vol, 3, p. 15. 6. Congressional Globe, February 12, 1862, p. 779. 7. Congressional Globe, 1862-63, part 2, appendix, p. 23. 8. Congressional Globe, 1861-62, part 4, appendix, p. 336. 9. Congressional Globe, 1861-62, part 4, appendix, p. 345. 10. Perry's "Political Economy," p. 405. 11. American Cyclopedia, vol. 11, p. 742. 12. "A. B. C. of Political Economy," p. 8.

CHAPTER III.

THE NATIONAL BANK ACT.—DID SCOUNDRELS PASS IT?—THAD STEVENS, CHASE, SUMNER, LINCOLN.

It is the proud boast of Republicans that during the war period the Republican party did the grandest work that any political party ever performed, and that its leaders were among the most wise, honest and patriotic that ever conducted the affairs of a nation. Democrats admit the claim; but they say that since that time the party and its leaders have deteriorated and become greatly inferior to the capable Democratic party, largely made up of broad-minded statesmen, who have under the leadership of President Cleveland so successfully managed the affairs of the country. Populists deny this claim, so justly made by Republicans, and so freely admitted by Democrats, and assert that the Republican party is totally unworthy of support because its leaders have always been completely under the control of the money power, and especially during the war period enacted laws for the purpose of robbing the people. One Populist writer says: "The record of the American congress from February 25, 1862, to the present time is a record of the blackest and most heartless crimes" (1).

Among these crimes is the establishment of the national banking system.

Emery, the most noted of all Populist writers, says: "Of all the villanous schemes of robbery ever practiced upon any people, our national banking system

stands pre-eminent," and maintains that it was "deliberately planned for the purpose of robbing the people." Contrasting the brave soldier, dying on the battlefield, and the grief-stricken homes all over the land, with the Republican congress passing the national bank act, Emery says: "In our nation's capital are assembled the lawmakers of the land; among them are those who encouraged and urged on the war. * * * These are they who sat in our congressional halls, and speculated upon the most effectual means of robbing the widows and orphans of these dead and dying soldiers, who instituted laws by which the children and children's children of these helpless soldiers should henceforth become their wage slaves, and the bondmen of their children through all generations" (2).

The author does not contend that the present banking system is the best that could be devised, or that it should be continued indefinitely. But he does most strongly maintain that it is vastly superior to the old system of "wild cat" state banks, and that it was established through the efforts of as honest, able and patriotic men as ever lived—not by scoundrels, for the purpose of extortion and robbery.

In 1861 there were 1601 state banks, 10,000 different kinds of notes, in thirty-four states, under forty different statutes (3). "It is not necessary to dwell upon the defects of the state bank system, or the character of a considerable part of the notes which the people were compelled to receive and treat as money. There were scarcely two states in the Union whose systems were alike. In some states banks were chartered with proper restrictions upon their discounts and their circulation; in others without any such restrictions. In some there was individual libaility; in others no

liability at all, not even in cases of gross mismanagement. In some states the circulation of the banks was secured, partially, at least, by mortgages and bonds; in others there was no security except the capital, which was frequently a myth. In some states banking was a monopoly; in others it enjoyed the largest liberty. The consequence was that we had a bank note circulation frequently worthless, and, when solvent, lacking that uniform value which was needed in business transactions between the citizens of the different states. It is enough to say that the circulation of the state banks was entirely unfitted for a country like ours; that by it the people were subjected to enormous losses, not only in the way of exchanges, but in the inability of a great many of the banks to redeem their notes."

Mr. Thompson, editor of the "Bank Note Detector," estimated that the loss of state bank bill holders during the period 1850-60 was $75,000,000. And the depositors lost much more heavily than that. During the last thirty-three years how much have national bank bill holders lost? Not a dollar. How much on the dollar have depositors lost? About 8 cents (15). Through all these years the bills of one bank have been as good as the bills of any other bank; and since 1879 all of them have been as good as gold. All the benefits to the country hoped for by those who worked to establish the national banking system have been fully realized.

What was the character of the men who secured the enactment of the national banking law? What are the facts with reference to this matter?

From the very first Salmon P. Chase, who became secretary of the treasury in March, 1861, favored the

establishment of the system (4); and to him belongs the credit or discredit of bringing it before the people and urging its adoption. In his first annual report, December 9, 1861, he presented two plans for sustaining the credit of the government and securing means to prosecute the war: First, he suggested that the government issue its own notes direct to the people, "payable in coin on demand in amounts sufficient for the useful ends of a representative currency;" and second, the adoption of the national banking system. The first plan had been partly adopted at the last session of congress by the issuance of $50,000,000 of demand notes. Chase opposed the first plan, saying: "The temptation, especially great in times of pressure and danger, to issue notes without adequate provision for redemption; the ever-present liability to be called on for redemption beyond means however carefully provided and managed; the hazard of panics, precipitating demands for coin, concentrated in a few points and in a single fund; the risk of a depreciated and depreciating and finally worthless paper money; the immeasurable evils of dishonored public faith and national bankruptcy—all these are possible consequences of the adoption of a system of government circulation."

On the other hand, Chase most strenuously recommended the national banking system, saying in its favor: "In this plan the people in their ordinary business would find the advantage of uniformity in currency; of uniformityin security; of effectual safeguard, if effectual safeguard is possible, against depreciation; and of protection from losses in discounts and exchanges; while, in the operation of the government, the people would find the further advantage of a large demand for government securities, of increased facilities

for obtaining the loans required by the war. * * * The secretary entertains the opinion that if a credit circulation of any form be desirable it is most desirable in this. The notes thus issued and secured, in his judgment, form the safest currency which this country has ever enjoyed" (5).

The bankers of New York, hearing that Chase would recommend the national banking system in his annual report in December, 1861, appointed James Gallatin, a prominent banker, to express to Chase their opposition to it, and their reasons therefor. The New York banks feared that the new law would depreciate the value of the state bonds then held by them to secure their circulation. Opinion was somewhat divided, but as a class the bankers of the country were opposed to the law; and most of the opposition to it in congress was made in their behalf. It is a common Populist statement that a number of "bank delegates" in February, 1862, coerced Secretary Chase into recommending the national banking system (6). Those who make the statement must be ignorant of the fact that Chase, more than a month before, in spite of the expressed disapproval of the New York banks, had in his annual report already strongly urged the adoption of the system. They could hardly have coerced him into doing something he had most willingly done several weeks before. Even Weaver tells the truth on this point, when he says, speaking of the proposed banking law: "State bank managers were at first hostile to the scheme" (7).

In his second annual report, of December 4, 1862, Chase again set forth the advantages of the proposed system. He emphasized the point that since United States bonds would be required as a basis, "a steady

market for the bonds would thus be established and the negotiation of them greatly facilitated" (8).

President Lincoln used all his influence in favor of the new system. Every member of his cabinet was in favor of it.

In his annual message to congress of December 1, 1862, after declaring the desirability of a speedy return to specie payments, and discussing the plans to secure a safe and uniform currency, President Lincoln said: "I know of none which promises so certain results and is at the same time so unobjectionable as the organization of banking associations under a general act of congress well guarded in its provisions. To such associations the government might furnish circulating notes on the security of United States bonds deposited in the treasury. These notes, prepared under the supervision of proper officers, being uniform in appearance and security and convertible always into coin, would at once protect labor against the evils of a vicious currency and facilitate commerce by cheap and safe exchanges" (9).

On the passage of the bank act by congress United States 6 per cent. bonds advanced from 7 per cent. discount to a premium (10); and Secretary Chase, in his report of December 10, 1863, says that the passage of the act was "followed by an immediate revival of public credit" (11).

In his annual message of December 8, 1863, Lincoln thus commends the law which had been in operation ten months, and under which 134 banks had been organized: "The enactment by congress of a national banking law has proved a valuable support of the public credit; and the general legislation in relation to loans has fully answered the expectation of its favor-

ers. Some amendments may be required to perfect existing laws, but no change in their principles or general scope is believed to be needed" (12).

Again, in his last annual message, of December 6, 1864, about four months before his death, Lincoln expressed his warm approval of the system, saying: "The national banking system is proving to be acceptable to capitalists and to the people. * * * That the government and the people will derive great benefit from this change in the banking systems of the country can hardly be questioned. The national system will create a reliable and permanent influence in support of the national credit and protect the people against losses in the use of paper money" (13).

Among those who voted in congress for the national banking act was Thaddeus Stevens, whose devotion to the welfare of the people is rarely questioned by intelligent men (14). Owen Lovejoy, whose brother fell a martyr to the cause of human freedom at Alton, Ill., voted for it. Spaulding, the father of the full legal tender greenback voted for it. Ben Wade, one of the most stalwart champions of justice that the nation ever had, voted for it.

Charles Sumner voted for it.

Henry Wilson, who by incorruptible honesty and devotion to the cause of right, rose from the ranks of poverty to the vice president's chair, voted for it, saying: "I vote for this bill as a measure to sustain the credit of the government now, to aid to carry us through this crisis; and I vote for it also as a measure that is to give this nation what it has so long demanded—a sound national currency."

Stevens, Wilson, Lovejoy, Wade, Sumner—these

were some of the men who, according to Populist statement, sat in our congressional halls and speculated upon the most effectual means of robbing the widows and orphans of those who, on Southern fields, had given up their lives that the nation might live.

Chase, Stanton, Seward—these were some of the chief promoters of the infamous crime.

Lincoln, grand, noble, patient, martyred Lincoln, used all the influence of his position to consummate the villainy.

If the charges of Populist leaders are true, then those who have been named, and many others just as worthy, were the worst scoundrels that ever walked the earth. Can it be that intelligent men will follow leaders whose teachings lead to such conclusions? Can it be that slanders upon the grandest men that the country has produced can be effectually used to build up a political party? Can any man who, as a Republican gloried in the achievements of the party during the war period, and who looked with honor and reverence upon the leaders of the party, now train politically with those who heap abuse upon the party and its leaders at the very time when they were doing their noblest work? Do the leaders of the Populist party compare favorably, either in honesty, brains or patriotism, with the leaders of the Republican party during the war period?

In view of the indisputable facts of history, the blatherings of ignoramuses and loud-mouthed demagogues that the national banking law was passed by scoundrels, or by ignorant dupes of the money power, for the purpose of extortion and robbery, are worse than idle. Those who will defame such men as Lincoln and the members of his cabinet and the splendid

men who worked and voted for the national banking law are not fit to be trusted to any extent, however slight, with the administration of the affairs of this great country.

1. "The Alarm—Coming Revolution," p. 34. 2. "Seven Financial Conspiracies," pp. 25, 30, 31. 3. Lalor's "Cyclopedia," vol. 1, p. 216. 4. Bolles' "Financial History," vol. 3, pp. 97, 87. 5. Cong. Globe, 1861-62, part 4, appendix, p. 26. 6. "Seven Financial Conspiracies," pp. 82, 17; Senator Peffer, Cong. Record, Sept. 30, 1893, p. 1980. 7. "Call to Action," p. 398. 8. Cong. Globe, 1862-63, part 2, appendix, p. 25. 9. Same, p. 2. 10. Lalor, vol. 1, p. 217. 11. Cong. Globe, 1863-64, part 4, appendix, p. 4. 12. Same, p. 2. 13. Cong. Globe, 1864-65, part 2, appendix, p. 2. 14. Cong. Globe, 1862-63, part 1, p. 897; part 2, p. 1148. 15. Cong. Record, 53rd congress, 1st session, part 3, appendix, p. 28.

CHAPTER IV.

THE CIRCULATION IN 1865-66.—GREAT IMAGINATION OF POPULISTS.—A MISTAKE OF $1,000,000,000.

Populists assert that the amount of money in circulation in this country at the close of the war was vastly greater than at the present time, and that the Republican party, in the interest of the money power, has since that time continually contracted the volume of money to the great distress and impoverishment of the people generally.

In order that this charge may be met, it is first necessary to ascertain how much money was in circulation just after the war. Owing to its isolated position, the Pacific Coast maintained a coin circulation during the suspension of specie payments of about $25,000,000, and this amount should be added to the paper circulation to get the total money circulation of the country.

During recent years, in the government reports, the expression, money in circulation, means money in the country outside of the United States treasury; but in this chapter it will be used as it is by Populists—when referring to 1865-6—as meaning the total amount of money in the country.

James B. Weaver, Populist candidate for president in 1892, says that on August 31, 1865, the money in circulation amounted to about $2,000,000,000 (1).

Ignatius Donnelly, the noted Minnesota Populist, says that in 1865 the amount of money in circulation was $2,113,606,802.51 (2).

Emery states that the amount of money in circulation at the close of the war was about $2,000,000,000 (3), and says: "Secretary McCulloch in his report for December, 1865, says: 'We have now about $2,000,000,000, nearly all in circulation among the people' " (4).

Senator Peffer, of Kansas, says that on July 1, 1865, "the amount of paper money in circulation in the United States was $2,122,437,841.02" (5).

At the period named there was outstanding a vast amount of temporary obligations of the government in the form of notes, then due or to become due before three years, bearing various rates of interest. Some of them were a legal tender for face exclusive of interest; but the greater part of them were not a legal tender at all. Populists include all these temporary debts of the government as a part of the money circulation.

It is the purpose of this chapter to prove by the best evidence in the world that Populists are tremendously in error in this matter; that only a small part of the temporary interest-bearing obligations of the government entered into circulation as money, and they only for a short time, and that the amount of money in circulation in 1865-6 was considerably less than half the amount claimed by Populist leaders.

It will be readily admitted that the best evidence as to this matter is the testimony of the officers of the government at that time, as shown by their official reports, and especially the statements of treasury officials, because their duties placed them in a position to know more about it than anybody else. And the statements of leading members of congress, made at the time, are entitled to much weight. It is upon such

proof mainly that the writer depends to establish what he has set out to prove.

Hugh McCulloch, comptroller of the currency from 1863 to March, 1865, and secretary of the treasury from 1865 to 1869, in his report of December, 1865, says:

The paper circulation of the United States on the 31st of October last was substantially as follows:

1. United States notes and fractional currency..	$454,218,038 20
2. Notes of national banks....................	185,000,000 00
3. Notes of state banks, including outstanding issues of state banks converted into national banks	65,000,000 00
Total	$704,218,038 20

"The amount of notes furnished to the national banks up to and including the 31st of October was a little over $205,-000,000, but it is estimated that $20,000,000 of these had not been put into circulation.

"In addition to the United States notes, there were also outstanding $62,536,900 5 per cent. treasury notes and $173,012,-140 compound interest notes, of which it would doubtless be safe to estimate that $30,000,000 were in circulation as currency.

"From this statement it appears that, without including seven and three-tenths notes, many of the small denominations of which were in circulation as money, and all of which tend in some measure to swell the inflation, the paper money of the country amounted on the 31st of October to the sum of $734,-218,038.20."

And he states in another part of the report that "the circulation, bank and national, had reached the startling amount of upward of $700,000,000" (6).

It will be noticed that McCulloch reported only a small part of the 5 per cent. and compound interest notes as being in circulation as money. These notes, however, were more apt to be used as money than any of the other temporary interest-bearing notes of the government, because they were a legal tender for face

exclusive of interest, while the others were not a legal tender to any extent. Especially were they more apt to be used as money than the notes bearing 7 3-10 per cent. interest, and hence called 7-30s, for besides being a legal tender, which the 7-30s were not, they were issued in much smaller denominations than the 7-30s. Therefore if only 13 per cent. of the outstanding 5 per cent. and compound interest notes were used as money, a much smaller proportion of the 7-30s were used as money. At any rate, the amount of them in circulation was so small that McCulloch did not think it worth while to include them in his table as a substantial part of the circulation.

Salmon P. Chase, secretary of the treasury from 1861 to June 30, 1864, and chief justice of the supreme court of the United States from 1864 to 1873, speaking of the 5 per cent. and compound interest notes, said: "These notes never entered largely or permanently into the circulation" (7). With the exception of eight months Chase and McCulloch were at the head of the treasury department from 1861 to 1869. They issued and sold the greater part of all these notes. It was a part of their official business to know to what extent the notes entered into the circulation. The one in his official report in 1865, the other in an opinion delivered from the supreme bench in 1870, declared that only a small part of the 5 per cent. and compound interest notes were used as money. Against the statements of these two men, of what avail in the minds of reasonale men is the statement of Weaver and Peffer, made a generation later, that all the 5 per cent. and compound interest notes were used as money?

Emery and Smith both pretend to quote the exact words of McCulloch, in his report of December, 1865,

saying that about $2,000,000,000 was in circulation. The alleged quotation is a forgery. Nothing like it is to be found in the report. When Populist leaders have to resort to the forgery of government reports to substantiate their claims they acknowledge their great weakness.

Freeman Clarke, comptroller of the currency in 1865, in his report for that year, agrees substantially with the estimate of the secretary of the treasury as to the amount of money in circulation in October, 1865. He makes a minute and detâiled statement of the various kinds of notes entering into the circulation, but he mentions no part of the 7-30s, however small, as being used as money. And he states that the greater part of the compound interest notes were held by insurance companies and other financial institutions as an investment (8).

President Johnson, in his annual message of December 4, 1865, says: "Five years ago the bank note circulation of the country amounted to not more than $200,000,000; now the circulation, bank and national, exceeds $700,000,000. The simple statement of the fact recommends more strongly than any word of mine could do the necessity of our restraining this expansion" (9).

F. E. Spinner, treasurer of the United States from 1861 to 1875, in his report of November 1, 1870, not undertaking to give the bank note circulation, gives the "total amount of United States currency outstanding" on June 30, 1865, as follows:

Demand notes	$ 472,603 50
Legal tender notes	431,066,427 99
Compound interest notes	191,721,470 00
Five per cent. notes	50,625,170 00
Fractional currency	25,033,128 76
Total	$698,918,800 25

For June 30, 1866, he gives the total amount as $608,870,825.46, made up of the same kinds of notes (10); but he makes no estimate as to what part of the 5 per cent. and compound interest notes were in use as money.

In his report of August 31, 1867, Spinner gives the following "recapitulation of outstanding United States notes and currency now in use for circulation" (11):

United States notes	$371,745,916 50
Fractional currency	38,454,841 65
Total	$400,200,758 15

And he says: "The following tables exhibit, under their appropriate heads, the whole amount of paper money that has been issued by the government of the United States from the commencement of such issues under the act of July 17, 1861, to June 30, 1867," and then he names, in the table, demand notes, United States legal tender notes, fractional currency, compound interest notes, and 5 per cent. notes, and these only. The only temporary interest-bearing obligations of the government that he counts as having been used as money were the 5 per cent. and compound interest notes. The use of the others, the 7-30 notes, for instance, as money was so slight that he excludes them from the tables entirely.

The official statements of the government officers that have been presented are, by themselves, amply sufficient to settle the whole dispute as to the amount of money in circulation in 1865-6.

In the spring of 1866, when the bill for the contraction of the currency was before congress, various estimates were made in the discussion as to the amount of money in circulation. There was a difference of

opinion as to the extent to which the temporary interest-bearing debts of the government circulated as money, and hence the different estimates. But surely the congressmen of 1866 had a more accurate knowledge regarding the amount of money then in circulation than have the congressmen or other public men of today. Next to the statements of treasury officials, the estimates of those congressmen are the best that can be obtained. Following is a list of members of congress participating in the debates, with the amount of money which each one estimated was in circulation set opposite his name (12):

Pike	$768,000,000
Spalding	750,000,000
Morrill	944,000,000
Broomall	900,000,000
Griswold	750,000,000
Sherman	704,000,000
Lynch	725,000,000

From all the foregoing it would seem to be conclusively established that when Populist leaders assert that in 1865-66 there was $2,000,000,000 in circulation they draw on their imagination for more than $1,000,-000,000.

1. "Call to Action," pp. 310, 307. 2. "The American People's Money," pp. 40, 90. 3. "Seven Financial Conspiracies," p. 64. 4. "Imperialism in America," p. 21; "The Condition of Our Country," by Carey Smith, p. 20. 5. Cong. Record, 53rd congress, 1st session, part 3, appendix, p. 41. 6. Cong. Globe, 1865-66, part 5, appendix, p. 36. 7. See Hepburn vs. Griswold, 8 Wall., 603; 19 U. S. Supreme Court Reports, 525. 8. Cong. Globe, 1865-66, part 2, p. 1454. 9. Cong. Globe, 1865-66, part 5, appendix, p. 4. 10. "Finance Report," 1870, pp. 202, 203. 11. "Finance Report,' 1867, pp. 132, 135. 12 Cong. Globe, 1865-66, part 2, pp. 1454, 1465, 1466, 1496, 1612, 1850.

CHAPTER V.

THE 7-30 NOTES WERE NOT A LEGAL TENDER — NOT ISSUED AS MONEY — NOT A PART OF BANK RESERVES.

In 1864 and 1865 the government issued $830,000,000 of treasury notes, running three years, bearing interest at the rate of 7 3-10 per cent. per annum payable semi-annually. In all essential points they were exactly similar to the ordinary promissory notes of a private individual. Six hundred million dollars of these notes were authorized by the act of March 3, 1865, the remainder by the act of June 30, 1864. They were fundable into 6 per cent. 5-20 bonds, and this fact was printed upon the back of each note in the following words: "At maturity convertible at the option of the holder into bonds ——" (1).

They were issued in three series, dated August 15, 1864; June 15, 1865, and July 15, 1865. In round numbers they were issued in the following denominations:

$ 50,000,000 in	5,000s
370,000,000 in	1,000s
228,000,000 in	500s
137,000,000 in	100s
44,000,000 in	50s

Populist leaders have most zealously promulgated false notions in regard to the 7-30s, as to their circulation as money, the manner of their issuance, and the real character of the notes.

Emery states that they "were made lawful money and a legal tender by the acts creating them" (0).

Weaver says they were "made legal tender at their face value, exclusive of interest," and that when not paid to the soldiers they were paid out "in current government business" (2).

Heath says they were issued "to be paid out as money to soldiers and other creditors of the government" (3).

Peffer and Davis, of Kansas, both claim that the 7-30s issued under the act of June 30, 1864, were a legal tender (4).

Were the 7-30 notes a legal tender?

The only laws of the United States in force while the 7-30s were outstanding, relating to their legal tender quality, are to be found in the two acts of congress authorizing them. Section 3 of the act of March 3, 1865, conclusively settles it that the notes issued under that act were not a legal tender, for it provides in so many words, "That nothing herein contained shall be construed as authorizing the issue of legal tender notes in any form" (5).

Section 2 of the act of June 30, 1864, provides, "And the said treasury notes may be disposed of by the secretary of the treasury, on the best terms that can be obtained, for lawful money; and such of them as shall be made payable, principal and interest, at maturity, shall be a legal tender to the same extent as United States notes for their face value, excluding interest" (6). Populist leaders quote this provision as positive proof that the notes issued under this act were a legal tender. They do not seem to think it worth while to find out whether or not the notes as issued were made payable, principal and interest, at maturity. As a matter of fact, the secretary of the treasury exercised the discretion vested in him by the law

as to when the interest should be paid, and issued the notes with the interest payable semi-annually, not at maturity; hence they did not come within the provision that made them a legal tender.

William Pitt Fessenden was the secretary of the treasury who issued the 7-30 notes under this act. His annual report of December 6, 1864, is conclusive as to the time when the interest was payable, and the character of the notes as to legal tender. After speaking of the difficulty which the secretary had had in raising funds to pay the expenses of the government, he says:

"He had then no other alternative than to issue legal tender notes to a very large amount or again advertise for a loan, and he had no hesitation as to which course should be adopted. Accordingly, on the 25th of July, he issued proposals for a national loan, under the act of June 30, 1864, upon notes payable in three years, with semi-annual interest at 7.3 per cent. per annum in lawful money. He incurred a considerable expense in advertising this loan, believing that it should be as widely diffused and as generally understood as possible, and offered liberal inducements to stimulate the efforts of corporations and individuals to dispose of the notes. * * *

"A serious obstacle to greater success has been, the secretary believes, the amount of other desirable national securities pressing upon the market, and presenting more favorable opportunities for investments. * * * More fully to accomplish his purpose, the secretary resolved to avail himself of a wish expressed by many officers and soldiers, through the paymasters, and offered to such as desired to receive them seven-thirty notes of small denominations. He was gratified to find that these notes were readily taken in payment to a large amount, our gallant soldiers, in many instances, not only receiving them with alacrity, but expressing their satisfaction at being able to aid their country by loaning money to the government. The whole amount of notes thus disposed of exceeded $20,000,000, and the secretary has great satisfaction in stating his belief that the disposal thus made was not only a relief to

the treasury, but proved a benefit to the recipients, in affording them a safe and valuable investment and an easy mode of transmitting funds to their families" (7.)

Under the general provisions of the act of June 30, 1864, though not specifically authorized, a large amount of 6 per cent. compound interest notes were issued, payable principal and interest at maturity, and therefore, according to the provisions of the act, a legal tender for face, exclusive of interest. Some have confused these notes with the 7-30s authorized by the same act (8).

Were the 7-30s issued as money? Were they actually paid out "in current government business?"

Most emphatically, no. And those who state that it was in this way that the government disposed of them are either woefully ignorant of the historical facts, or else utterly regardless of the truth. Almost, if not entirely, without exception, the 7-30s were not paid out as money, but were sold by the government to investors just as the bonds were sold. The official reports of the two secretaries of the treasury who sold them place the matter beyond dispute. So far as known to the author, the only alleged instance of the 7-30s being paid out as money was when the soldiers took $20,000,000 of them in payment of their services. But creditors often accept groceries, or checks on banks, as payment, but this does not make the groceries or checks money. The entire account of this transaction, as found in Fessenden's report—not the garbled and distorted account that Donnelly mendaciously says is found in Fessenden's report (9)—shows that neither the secretary nor the soldiers considered the 7-30s as money. The notes were offered "to such as chose to receive them." If the notes had

been legal tender money the soldiers would have been compelled to take them in payment whether they chose to receive them or not; they would have had no choice in the matter. The soldiers thought that they were "loaning money to the government," and the secretary thought the soldiers had made a "safe and valuable investment." The only difference between the soldiers and those who bought the notes from the paid agents of the government was that the former exchanged services for the notes, while the latter exchanged money.

That Fessenden did not consider the 7-30s as money, and that they were not paid out by the government as money, is further shown by Fessenden's circular, dated December 3, 1864, to bank officers throughout the country, in which he advertises the 7-30s for sale. The opening paragraph is as follows: "Desiring to avoid any further issue of bonds, the interest of which is payable in coin, or any further increase of paper circulation, I ask your special attention to the 7-30 notes now offered to the public" (10). And yet we are told that the 7-30s were a legal tender, and paid out in "current government business."

Secretary McCulloch, who issued the greater part of the 7-30s, in his report of December 4, 1865, tells how he disposed of them. After speaking of the heavy requisitions from the war department after the capture of Richmond, he says:

"As it was important that these requisitions should be promptly met, and especially important that not a soldier should remain in the service a single day for want of means to pay him, the secretary perceived the necessity of realizing as speedily as possible the amount—$530,000,000—still authorized to be borrowed under this act.

"The seven and three-tenths notes had proved to be a

popular loan, and although a security on longer time and lower interest would have been more advantageous to the government, the secretary considered it advisable, under the circumstances, to continue to offer these notes to the public, and to avail himself, as his immediate predecessors had done, of the services of Jay Cooke, esq., in the sale of them. The result was in the highest degree satisfactory. By the admirable skill and energy of the agent, and the hearty co-operation of the national banks, these notes were distributed in every part of the Northern and in some parts of the Southern states, and placed within the reach of every person desiring to invest in them. No loan offered in the United States, notwithstanding the large amount of government securities previously taken by the people, was so promptly subscribed for as this. Before the first of August the entire amount of $530,000,000 had been taken" (11).

Charles Foster, secretary of the treasury under President Harrison, speaks thus of the 7-30s: "A note which is issued as money is simply paid out in settlement of demands upon the government. The seven-thirty notes were not disposed of in this way. They were sold to the people through banks and dealers at par and accrued interest, and the government paid a commission to the agents who were engaged in their sale. It is probable that no loan negotiated by the United States was ever so widely advertised as was the seven-thirty loan. Agents all over the country spent large sums for newspaper advertisements and special notices, and many thousands of dollars were expended for flaming posters, which appeared everywhere. All this expenditure would have been unnecessary if the notes had been issued as money. * * * There was no talk in those days about their being issued as money. * * * They were issued only to persons who had money to lend, and were daily bought and sold at prices which were hardly ever the exact equivalent of par" (10).

Populists publish an alleged letter of Mr. Spinner's, written in 1876, in which he says that the 7-30 notes were "intended, prepared, issued and used as money." If this letter is genuine it is in absolute and direct conflict with Spinner's own official reports made while he was treasurer of the United States. It is irrefutably contradicted by the official reports of Mr. Fessenden and Mr. McCulloch who issued the notes, and by the official reports of other government officers made at the time, and by the very laws under which the notes were authorized.

Populist writers seek to create the impression that the bonds, which were issued in denominations as low as $50, were within the financial reach only of wealthy "Shylocks." At the same time, with strange inconsistency, they insist that the 7-30s, almost all of which were issued in denominations of $100 and upwards, and the certificates of indebtedness, which were issued in denominations of $1,000 and upwards, were in common use as money among the people generally.

The 7-30 notes were not a legal tender.

They were not issued as money.

They were used as money only to a slight extent.

They could not, in 1865-66, have been a part of the reserves of the national banks, for such reserves had to be in lawful money.

0. "Seven Financial Conspiracies," p. 98. 1. Lalor, vol. 3, pp. 978, 977, 558; "National Loans of the United States," by Bayley, p. 87. 2. "Call to Action," pp. 309, 311. 3. "Labor and Finance Revolution," p. 290. 4. Cong. Record, 53rd congress, 1st session, part 3, appendix, pp. 305, 557. 5. Cong. Globe, 1864-65, part 2, appendix, p. 128; U. S. Statutes at Large, vol. 13, pp. 218, 469. 6. Cong. Globe, 1863-64, part 4, appendix, p. 206. 7. Cong. Globe, 1864-65, part 2, appendix, p. 28. 8. "United States Notes," pp. 110, 85. 9. "American People's Money," p. 41. 10. "Letter of Hon. Charles Foster to Hon. John B. Allen," treasury publication, pp. 5, 6. 11. Cong. Globe, 1865-66, part 5, appendix, p. 43.

CHAPTER VI.

THE "CONTRACTION OF THE CURRENCY" WAS MAINLY THE HONEST PAYMENT OF GOVERNMENT DEBTS.

The public debt of the United States reached its maximum August 31, 1865, (1) when it was:

Funded debt	$1,109,568,191 80
Matured debt	1,503,020 09
Suspended requisitions	2,111,000 00
Temporary loans	107,148,713 16
Certificates of indebtedness	85,093,000 00
Seven-thirty notes	830,000,000 00
Fractional currency	26,344,742 51
United States notes	433,160,569 00
Compound interest notes	217,024,160 00
Five per cent. notes	33,954,230 00
Total	$2,845,907,626 56
Cash in treasury	88,218,055 13
Net debt	$2,757,689,571 43

The annual interest charge was $150,000,000.

The temporary loans were represented by certificates, issued in denominations of not less than $100, for greenbacks deposited with the government. They were issued solely for the purpose of supplying the temporary needs of the government, and hence their name. They bore not to exceed 6 per cent. interest and were payable in thirty days from time of deposit, after a notice of ten days.

The certificates of indebtedness, instead of being issued to those who had loaned money to the govern-

ment, were issued to public creditors who desired to receive them in satisfaction of settled and audited claims. They were issued for the whole amount due, or parts thereof, not less than $1,000, and were payable one year from date, or earlier, at the option of the government. They bore 6 per cent. interest, and matured at various times between August, 1865, and May, 1867.

The 7-30s became due in 1867 and 1868, and were convertible at maturity, at the option of the holder, into bonds.

The compound interest notes became due in 1867 and 1868. The interest was compounded semi-annually.

The 5 per cent. notes were all due by December 1, 1865.

All these temporary interest-bearing debts of the government were payable in lawful money.

In addition to these debts $18,415,000 of the funded debt became due in three years.

Thus it will be seen that, taking no account of the greenbacks, if the credit of the government was to be kept good, and its word preserved inviolate as it had been during the darkest days of the war, it would not only have to pay the ordinary running expenses of the government and the enormous interest on the public debt, but would also be compelled to pay or fund nearly $1,300,000,000 of the principal of the public debt by October, 1868.

Populist leaders (3) assert that all the items except the first three in the public debt statement for August 31, 1865, were money and in general use among the people. They charge that the Republican party, under the influence of the money power, for the purpose

of impoverishing the masses and enriching the few, destroyed the greater part of this money. The truth is that what Populist leaders call contraction of the currency was, for the most part, simply the honest payment of government debts—these debts being in the form of notes that never were intended as money and never were used as money.

By the law of March 3, 1865, (4) which had the hearty approval of President Lincoln, authority was given to the secretary of the treasury to exchange bonds for "treasury notes, certificates of indebtedness or certificates of deposit or other representatives of value which have been or may be issued under any act of congress." On August 31, 1865, the temporary interest-bearing notes of the government amounted to $1,273,000,000. Under this law the secretary had power to fund all of them; in other words, to exchange long-time notes of the government for short-time notes. In the fall of 1865 the secretary proceeded to retire legal tender interest-bearing notes at the average rate of several million dollars a month (5).

But the secretary wished not only to pay or fund the interest-bearing notes, but also to decrease the volume of greenbacks—the currency as he understood the term. Accordingly he asked congress for increased authority.

The members of the lower house are in close contact with the people, and almost invariably seek to carry out the wishes of their constituents. That the people were in favor of the financial measures proposed by the secretary is shown by the resolution that passed the house December 18, 1865, by the overwhelming vote of 144 to 6, "Resolved, That this house cordially concurs in the views of the secretary of the treasury

in relation to the necessity of the contraction of the currency, with a view to as early a resumption of specie payments as the business interests of the country will permit" (6)

Among those who voted in the affirmative was William D. Kelley, of Pennsylvania, who seems to have been one of the few men in public life at that time now deemed worthy of the good opinion of Populists (7). The "money power" must have had a fearful grip on that congress. Usually, when it has to resort to its peculiar influence to secure legislation, it is content with a bare majority. In this case it must have been in a generous mood, and so bought up the entire house.

In furtherance of this resolution, though in opposition to the votes of many leading Republicans, the law of April 12, 1866, was passed, giving the secretary authority not only to fund interest-bearing notes, but to retire greenbacks as well. But it provided that not more than $10,000,000 of greenbacks should be retired within six months from the passage of the act, and thereafter not more than $4,000,000 in any one month (8).

Under these laws let us see what was done with the great war debt.

When the 5 per cent. notes became due the government paid those that were presented for payment, just as an honest and solvent man pays his notes when they become due. They were paid in greenbacks. The temporary loans matured and were paid in like manner. So it was with the certificates of indebtedness. This was part of the infamous crime with which Populist leaders charge the Republican party.

But after paying these debts and all the running

expenses of the government, there was not enough money to pay the compound interest notes and the 7-30s when they became due. And, besides, most of the holders of the 7-30s demanded bonds for them in accordance with the law, and the stipulation on the back of every note. It would have been an absolute and shameless breach of contract for the government to refuse to permit the holders of the 7-30s to exchange them for bonds. Neither could the government have honorably refused to pay the compound interest notes when they matured or else give the owners of them satisfactory securities in their place. So it was by the issuance of bonds that the most of these notes were retired. However, in place of part of the retired compound interest notes the government issued 3 per cent. certificates, payable on demand, which were, in turn, gradually paid off by 1873. A large amount of greenbacks were called in, but on February 4, 1868, their further retirement was prohibited.

The most of the decrease in the temporary debts of the government, including greenbacks and fractional currency, had been accomplished by July 1, 1868. And, according to Populist writers, the contraction of the currency after 1868 did not amount to much. Their published tables of circulation (9) show that from 1868 to 1874, a period of six years, the currency was contracted only $38,000,000. Therefore, a general summing up of the situation on July 1, 1868, will give us a practically complete knowledge of that which is called by Populists the contraction of the currency.

According to the report of the secretary of the

treasury for December 1, 1868, the government obligations named in the public debt statement of August 31, 1865, and counted as money by Populists, were outstanding on July 1, 1868 (10) in the following amounts:

Temporary loans ....$	797,029 00
Certificates of indebtedness	18,000 00
Seven-thirty notes	37,717,650 00
Fractional currency	32,626,951 75
United States notes	356,141,723 00
Compound interest notes	28,161,810 00
Five per cent. notes	555,492 00
Total	$456,018,655 75

The net government debt was $2,505,200,516.94.

Compare this table with the one given at the first of the chapter. It will be seen that the net government debt had been reduced $252,000,000, and that the temporary debts of the government, including greenbacks and fractional currency, had been reduced by the enormous sum of $1,276,000,000.

Between August 31, 1865, and July 1, 1868, the bank note circulation had slightly increased; and $50,000,000 of 3 per cent. certificates, used to a considerable extent as money, had been issued. Making due allowance for these two items, there had been, in the short space of thirty-four months, from August 31, 1865, a net reduction in the volume of bank notes, and of government oligations called money by the Populists, of over $1,200,000,000. Of the $2,000,000,000 claimed by Populists to have been in circulation in the fall of 1865, more than $1,200,000,000 had been destroyed in less than three years.

It would seem to be apparent to every reasoning mind that in no country could 60 per cent. of the money—$6 out of every $10—be destroyed in thirty-

four months without involving all the commercial and industrial interests of the country in overwhelming ruin. And the disastrous effects would be felt at once; they could not possibly be delayed for years. The business prostration would be immediate and universal.

Were the years 1866, 1867, 1868 disastrous ones?

According to the highest Populinst authority (11) the business failures of the entire country during those years involved a loss of only $168,000,000, an average of $56,000,000 a year. This is an exceedingly favorable showing, as will be seen by an examination of a statement of the business failures of the United States, with liailities involved, taking place each year since 1857, prepared by Dun's Commercial Agency, which, with Bradstreet's, is the best authority on earth as to the business condition of this country now and for many years past (12).

Nor were the years 1869, 1870, 1871 marked by special financial disasters or business failures. Had there been the wholesale destruction of money claimed by Populists, before half those years had passed financial disaster would have swept the country like a cyclone.

These facts, of themselves, prove that the assertion of Populist leaders, that all the temporary debts of the government at the close of the war were money, and that there was $2,000,000,000 of money in circulation at that time, is wildly absurd.

There was some contraction of the currency; but the extent of the contraction was slight compared with its extent as set forth by Populist leaders. The great bulk of the interest-bearing notes of the government never were currency; hence their payment

or funding can not properly be called a contraction of the currency.

The author believes that the retirement of greenbacks at that time was unwise, and that the payment and retiring of the interest-bearing notes would have been sufficient. If the right of the holders of greenbacks to exchange them at par for bonds, which was taken away on July 1, 1863, had been restored after the war, greenbacks would have appreciated, as compared with gold, along with the bonds. This would have been better than the attempt to appreciate their value by decreasing their volume.

But if a mistake was made it was honestly made; it was not part of a scheme to rob the people. Populist leaders are too ready to account for legislation that does not suit their notions by claiming that the legislation was prompted by dishonest and unworthy motives. The men who were at the head of this government at the close of the war and directed the management of the public debt were, on the whole, a very able and patriotic set of men. It may be that if the present leaders of the Populist party had had control of the government at that time they would have managed it more honestly and more wisely than it was managed. But this does not seem probable.

1. Cong. Globe, 1867-8, part 5, appendix, p. 24; "Finance Report," 1867, pp. 3, 5. 3. Weaver, "Call to Action," p. 310; Heath, "Labor and Finance Revolution," p. 50; Peffer, Cong. Record, Fifty-third congress, first session, part 3, appendix, p. 306; Davis, same, p. 557. 4. Cong. Globe, 1864-65, part 2, appendix, p. 128. 5. Cong. Globe, 1865-6, part 5, appendix p. 39. 6. Cong. Globe, 1865-6, part 2, p. 1,432. 7. "Seven Financial Conspiracies," pp. 77, 52; "Labor and Finance Revolution," p. 93. 8. Cong. Globe, 1865-6, part 5, appendix, p. 317. 9. "Conspiracies," p. 85; "Labor and Finance Revolution," p. 191. 10. Cong. Globe, 1868-9, part 3, appendix, p. 16; "Finance Report," 1868, p. 24. 11. "Conspiraries," p. 38. 12. "Dun's Review," January 13, 1894, p. 3.

CHAPTER VII.

THE CIRCULATION IN 1895 AND 1865 COMPARED—MORE MONEY PER CAPITA, AND BETTER, IN 1895.

It has been shown conclusively that Populist estimates as to the amount of money in the country in 1865-6 are grossly exaggerated.

The way now seems clear for a correct comparison between the amount of money in circulation at that time and at the present time.

The expression, money in circulation, is here used as it is in the government reports as meaning, money in the country outside of the United States treasury.

As has been before stated, Populist leaders (1), when speaking of 1865-6, universally use this expression as meaning the total amount of money in the country. They make no deductions whatever from this total sum. When they speak of the present time they attach an altogether different meaning to the expression. They use it as meaning the total amount of money in the country, less the amount in the United States treasury, less the amount held by national banks as reserves, less the amount they guess has been lost and destroyed, less the amount they guess is held by private banks as reserves, less the amount they guess is hoarded.

Donnelly considers his own estimate as to the amount of gold in the country to be better than that of the mint and treasury officials, and says, "A gold coin is something rarely or never seen by the citizens

of our country." He entertains the absurd opinion that one-tenth of all the silver coined in this country since 1878 has been lost.

The use of this expression with a double meaning greatly aids Populists in making out a very large circulation in 1865-6, and a very small one at the present time. Of course, this method of comparison is very unfair; but this is no objection to it in the eyes of a Populist demagogue.

If it is right, in estimating the amount of money in circulation now, to make the various deductions named then it is right to make them in estimating the amount of money in circulation in 1865-6. It does not make so much difference what meaning is given to the expression, but it is essential, in order to be fair, that this meaning should be fixed and definite—in other words, that the test employed should be the same for both periods.

Of all men, living or dead, the secretary of the treasury in 1865 was in the best position to know the facts in regard to the circulation at that time. And this fact is recognized by Populist writers. They know that people will accept his statements, made in his official reports at the time, as the very best evidence—evidence that must be accepted as true unless impeached by other evidence that is positively overwhelming. Failing to find anything there with which to substantiate their preposterous claims, at least two of them—Emery and Smith—have published a forged quotation from the report of Secretary McCulloch for December, 1865, and sent it forth as evidence. They knew that exceedingly few people have access to that report and, on that account probably, thought the

forgery would escape detection. Special attention was called to this forgery in a former chapter.

In his report of December, 1865, (2) McCulloch made an estimate of the total amount of the paper money of the country on October 31, 1865, when the volume of government notes was largest. So far as known to the author, that is the only time in that year for which he made any such estimate. This estimate of McCulloch's forms the most reliable basis upon which to calculate the amount of money then in circulation. Therefore, the two dates selected for the comparison are October 31, 1865, and October 31, 1895, exactly thirty years later.

Only three items are lacking in McCulloch's report to give us his opinion as to the exact circulation on October 31, 1865, namely, the cash in the treasury, the coin circulation, and the amount of 7-30s used as money.

On the first of that month there was $56,236,440 in the treasury, and it will be reasonably accurate to count that as the amount in the treasury on the last day of the month (5).

Government reports, which do not seem to be controverted, state that at that time $25,000,000 in coin was in circulation on the Pacific Coast. It is well known that throughout the rest of the country coin was not in circulation.

In his report McCulloch says of the 7-30 notes that "many of the small denominations" were in use as money. Since the smallest denomination was **$50;** since neither the comptroller of the currency nor the treasurer of the United States at that time reported the 7-30s as being appreciably in circulation; since the secretary in the same report stated that the vol-

ume of paper money "had reached the startling amount of upward of $700,000,000"—an estimate altogether too low had he considered the 7-30s in use as money to any great extent—since he estimated that only $30,000,000 of the 5 per cent. and compound interest notes, which were much better adapted for use as money than the 7-30s, were in use as money; and in view of the nature and character of the 7-30 notes, surely it would be a most liberal estimate to count $30,000,000 of the 7-30s as being used as money at that time.

With these three items thus determined, taking the figures as to the other items from McCulloch's report, the amount of money in circulation October 31, 1865, was:

Greenbacks and fractional currency	$454,218,038 20
National bank notes	185,000,000 00
State bank notes	65,000,000 00
Five per cent. and compound interest notes	30,000,000 00
Coin	25,000,000 00
Seven-thirty notes	30,000,000 00
Total	$789,218,038 20
Deduct cash in treasury	56,236,440 00
Money in circulation	$732,981,598 20

Estimated population, 34,800,000.

Circulation per capita, $21.06.

But in October, 1865, it took $1.45 (3) in greenbacks to buy $1 in gold; and some of the state bank notes were not as good as greenbacks. Reducing the paper money to a coin basis, the circulation amounted to only $488,263,171, or $14.03 per capita.

According to the official report of John G. Carlisle, secretary of the treasury, money was in circulation

in the United States, October 31, 1895, in kinds and amounts as follows:

Gold coin	$ 475,181,593
Standard silver dollars	58,354,092
Subsidiary silver	63,832,759
Gold certificates	50,417,659
Silver certificates	333,456,236
Treasury notes	114,526,669
United States notes	238,986,280
Currency certificates	56,740,000
National bank notes	207,364,028
Total	$1,598,859,316

Estimated population, 70,378,000.

Circulation per capita, $22.72.

We have more money per capita than we had at the close of the war.

Since all these different kinds of money are as good as gold in every part of the country we have better money than we had then.

Gold coin is a full legal tender for all debts, public and private.

Silver dollars are a full "legal tender at their nominal value for all debts and dues, public and private, except where otherwise expressly stipulated in the contract" (4).

Subsidiary silver—half dollars, quarters and dimes—have, since 1879, been a legal tender to the amount of $10 (4).

Five-cent and one-cent pieces are called minor coins. They are legal tender to the amount of 25 cents. The 5-cent pieces are made of 75 parts of copper and 25 parts nickel. The 1-cent pieces are made of 95 parts copper and 5 parts tin and zinc.

The government will redeem subsidiary silver coins, when presented in sums of $20 or any multiple

thereof, in lawful money; also minor coins when presented in sums of not less than $20.

Gold and silver certificates are not a legal tender, but are "receivable for customs, taxes and all public dues." They are issued for gold coin and silver dollars deposited with the government. The gold certificates are redeemed in gold coin on demand, and the silver certificates in silver dollars. For the purpose of redemption an amount of coin exactly equal to the amount of outstanding certificates is constantly kept on hand by the government.

Treasury notes, issued in payment of silver bullion, are receivable for customs, taxes and all public dues, and are legal tender to the same extent as silver dollars. They are redeemable on demand in gold or silver coin, at the discretion of the secretary of the treasury.

United States notes are a full legal tender for all debts, public and private, except duties and interest on the public debt. On presentation in sums of not less than $50 the government redeems them in coin.

Currency certificates, in denominations or not less than $5,000, are issued to national banks upon deposits of United States notes with the government. The United States notes deposited are held as a special deposit for the redemption of the certificates on demand. The certificates are used for bank reserves and settlements.

National bank notes are receivable for all dues to the government except duties on imports; and for all debts owing by the government except interest on the public debt, and redemption of greenbacks. They are redeemable on demand in lawful money by the issuing banks, or, ultimately, by the government.

In determining the stock of gold coin in the United States the actual amount of gold coin in the treasury and in national banks on June 30, 1872, and $20,000,-000 estimated at that date as the minimum amount in circulation in the states of the Pacific Coast, a total of $135,000,0000—was taken as a basis.

Since that time the official estimates have been compiled by adding to the initial stock the coinage of the mints, not including recoinage, and the gain or loss by import or export as registered at the custom houses. An average annual allowance, however, of $3,500,000, has been estimated as the amount of our gold coins used in the industrial arts.

The coinage of silver dollars since March 1, 1878, and the subsidiary silver coinage since 1873, at which date the estimated amount was $5,000,000, together with the annual gain or loss by coinage or import—after an annual deduction of $200,000 for use in the industrial arts—is taken as the estimated stock of silver coin in the United States (4).

1—Weaver, "Call to Action," pp. 310, 312; Emery, "Seven Financial Conspiracies," p. 100; Donnelly, "American People's Money," pp. 40, 83. 2—Chapter 4. 3—Bureau of Statistics Quarterly Reports, 1878-9, p. 116. 4—"Coinage Laws of the United States, 1792 to 1894," pp. 64, 125, 68. 5—Cong. Globe, 1865-6, part 2, p. 1454.

CHAPTER VIII.

THE CREDIT STRENGTHENING ACT.—THE PEOPLE FAVORED IT.—U. S. GRANT COULD NOT BE BRIBED.

The first act of congress that became a law by the signature of President Grant was the credit strengthening act of March 18, 1869. The essential part of that act is as follows:

"In order to remove any doubt as to the purpose of the government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligations has expressly provided that the same may be paid in lawful money or other currency than gold or silver. * * * * And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin."

At that time gold was at a premium over greenbacks, and it was easier to pay the bonds in paper money than it was to pay them in coin. Populist writers assert that the credit strengthening act was the result of a gigantic conspiracy to swindle and rob the people for the benefit of the bondholders. They claim that with the presidency of the United States as a bribe the co-operation of Grant in this infamous crime was secured.

Heath (1) says that this arrangement between the bondholders on the one side, and Grant and the leaders of the Republican party on the other side, was "one of the most damnable acts of political corruption, and the most villainous betrayal of public trust ever practiced upon an unsuspecting and confiding constituency; and, when fully understood, it will brand with eternal infamy every name in connection with the disreputable transaction." He declares "The Republican party nominated U. S. Grant on the urgent solicitation and petition of forty capitalists of New York city, who represented in the aggregate about $500,000,000."

Schilling (2) speaks of Grant as being subservient to the wishes of "the conspirators against the welfare of the country," and says, "A very conservative estimate would be to say that this conspiracy of the money sharks cost the people of the United States $1,000,000,000."

Emery (3) agrees with Heath that this step in the "infernal system of legalized robbery" cost the people about $600,000,000, and says, "Further, we have undeniable proof that the act was secured through the most soulless strategy, and that Grant, Sherman and Morton were parties to it. * * * Circumstantial evidence also proves beyond doubt that the election of Grant and the defeat of Seymour was a bargain and sale between the leaders of the old parties, and the most villainous betrayal of public trust ever practiced upon an unsuspecting people. * * * The blood curdles to think of Washington and of that fratricidal conspirator at the head of the same government."

The sentiment of Populist writers, above quoted, is believed to be fairly representative of the sentiment

of Populist leaders generally with reference to this matter.

It is the purpose of this chapter to show that the credit strengthening act was passed, not as the result of a conspiracy, but to carry out the will of the people as expressed at the polls after a full and thorough discussion of the question all over the land; and that after it was passed the people again expressed in unmistakable manner their approval of the party that passed it, and of the president by whose signature it became a law.

After the close of the war the question gradually grew in importance as to whether the 5-20 bonds were payable in lawful money, that is, in greenbacks, or in coin. It was a question upon which there could be an honest difference of opinion; the laws under which the bonds were issued were silent as to the medium of payment.

According to Senator Jones, of Nevada, who now proudly claims to be a Populist, between 1862 and 1868 the government sold bonds to the amount of $2,049,975,700, for which it received in gold only $1,371,424,238, which is at the rate of 67 cents in coin on the dollar (4). It seemed hard that the government should have to pay the bonds at the rate of 100 cents in coin on the dollar.

Some, looking only to the very strictest letter of the law, thought the bonds should be paid in greenbacks. Others believed that by the implied contract and understanding between the government and those who purchased the bonds; by the uniform usage of the government before and during the war; by the declarations of our officials having charge of the loans; by the representations of agents duly authorized by the

government to sell the bonds, we were in honor bound to pay the bonds in coin. In the early part of 1868 the question was taken up in congress and discussed at great length. John Sherman at that time took the position that the bonds should be paid in greenbacks; but also maintained that it was the duty of the government to advance the greenbacks to par in coin (5). Senator Morton from the first to last favored the payment of the bonds in greenbacks. But, almost without further exception, the leading Republicans of the country believed that the bonds should be paid in coin.

The only question was with reference to the 5-20 bonds. Some of the bonds issued during the war were, in express terms, payable in coin; and no one, except some Populists of today, ever thought it right for them to be paid in anything but coin.

The Republican national convention which met in Chicago May 20, 1868, took the position that the bonds should be paid in coin. This was strongly urged by Gen. Hawley in his speech on taking the chair. He said: "For every dollar of the national debt the blood of a soldier is pledged. Every bond, in letter and in spirit, must be as sacred as a soldier's grave." The platform declared: "We denounce all forms of repudiation as a national crime; and the national honor requires the payment of the public indebtedness in the uttermost good faith to all creditors at home and abroad, not only according to the letter, but the spirit of the laws under which it was contracted."

On July 4, 1868, the national Democratic convention met in New York and nominated Seymour for president. The Democratic party had always been a "hard money" party. It had opposed most strongly the issuing of greenbacks; by its denunciation of them

it had helped in some degree to depress their value. But at this time the party made a total change of front, and took the position that the bonds should be paid in greenbacks. The platform declared: "Where the obligations of the government do not expressly state upon their face, or the law under which they were issued does not provide that they shall be paid in coin, they ought, in right and in justice, to be paid in lawful money of the United States."

The people knew exactly the position of Grant and the Republican party with reference to this matter. It was one of the two main issues between the parties in the campaign of 1868. On the floors of congress, in the newspapers, and on the stump the question was discussed in all its phases. Any plan for getting out of debt easily finds ready support among a large class of people who look at the result rather than at the means employed to attain the result. With their campaign cry, "The same currency for the bondholder and the plowholder," the Democrats caught many votes.

But at the election Grant received an electoral majority over Seymour of 134, and a popular majority of over 300,000. The voters of that time—nearly thirty years ago—knew more about that question than do the voters of today. They knew the understanding with which purchasers had taken the bonds. Like a vast jury they considered the matter, and settled it in favor of coin payment of the bonds. They, in effect, said to Grant and the Republican party, "The position that you have taken is the right one. The bonds should be paid in coin."

And so, it was in harmony with the declared position of the Republican party and in harmony with

the expressed will of the people, that congress passed the credit strengthening act. It passed both houses of congress by a big majority.

When the credit strengthening act was passed the greenback dollar was worth only 76 cents in gold. Within a year, under the favorable influence of that law, it was worth 89 cents in gold (7). At the same time government bonds rose to par in gold, thus making possible the refunding of the public debt at lower rates of interest.

John A. Logan, in discussing the question, said:

"The question as to the currency in which our bonds shall be paid, which has been so much discussed in this hall and throughout the country during the last two or three years, can be as well settled now as at any other time. I presume that no wise man in the country believes at the present day that the policy of the government will be to discharge its indebtedness by the issue of new obligations. * * * * Sir, it appears to me it is nonsense for us to discuss this question any longer: It is nonsense for us to talk of paying $2,000,000,000 of bonds with $2,000,000,000 of greenbacks. * * * * It is highly befitting that we should proclaim to the world that we intend to pay our obligations in the currency of the world; that we do not intend that hereafter the bonds of our government shall be worth in London but 80 cents on the dollar, while the bonds of the state of Massachusetts are worth 105. There is no reason for this depreciation of our bonds in the markets of the world except that the discussions we have had on the question have raised a doubt as to the currency in which we intend to discharge our national obligations" (6).

Again, in 1872, after passing the credit strengthening act, Grant and the Republican party, upon their record, asked to be continued in power. And the voters of the nation, by a majority of over 750,000—the largest ever received by any president—re-elected Grant, and put the stamp of their approval upon the acts of the party. If the credit strengthening act was

"one of the most damnable acts of political corruption," and a "most villainous betrayal of public trust;" if by it the people were robbed of hundreds of millions of dollars, why was it that the voters of the country, in numbers absolutely overwhelming, approved and ratified the villainy? Why did they not, at the polls in 1872, administer a stinging and effective rebuke to the president and the party that had thus betrayed the people?

It cannot be successfully contradicted that if, as Populists say, Grant and the leaders of the Republican party were guilty of a great crime, the greater part of the intelligent voters of the country were aiders and abettors of the crime.

Was Grant nominated at the dictation of capitalists? From the intelligence of the country comes the answer, No.

Could he have been bribed either with office or with money to enter into any conspiracy to rob his countrymen and betray their interests? From the loyalty of the nation that he led to victory; from those who went down in defeat before him, comes the answer, No. And the men who seek, by vilification of such men as Grant, to build up a political party will never build it up.

It is doubtless true that many capitalists desired the nomination of Grant—and this is to Grant's credit. It was felt that with him at the head of the government property interests would be safe. It will be a long, long time before men who have investments that may be ruined by wild legislation, and property that may be destroyed by lawlessness, will be in favor of intrusting the great business interests of this country into the keeping of men like those who now lead the

Populist party. At the Chicago convention of 1868, and for many months before, among Republicans, no name but Grant's was mentioned in connection with the presidency. No other name was presented to the convention. He was not so much the choice of Eastern capitalists as he was of the million farmers on the Western prairies. He was unanimously nominated by acclamation amidst the greatest enthusiasm.

Far away to the East, in the great metropolis of the nation he preserved, in Riverside Park, his name and fame forever secure from the venomous attacks of slander, his memory and the grateful appreciation of his services as sure and as constant in the hearts of the people as the tides that ebb and flow at his feet, let the dead hero sleep.

1—"Labor and Finance Revolution," pp. 296, 295. 2—"The Silver Question," pp. 7, 8. 3—"Seven Financial Conspiracies," pp. 43, 46. 4—Cong. Record, Fifty-third Congress, first session, part 3, appendix, p. 665. 5—Sherman's "Forty Years in the House, Senate and Cabinet," Vol. I., p. 438. 6—Cong. Globe, February 24, 1869, p. 1,536. 7—Bureau of Statistics Quarterly Reports, 1878-9, p. 116.

CHAPTER IX.

THE CREDIT STRENGTHENING ACT WAS RIGHT.—THAD. STEVENS, CHASE, FESSENDEN, MCCULLOCH.

In the preceding chapter it was shown that the Republican party, in order to give effect to the will of the people as expressed at the polls, passed the credit strengthening act declaring that the greenbacks, and all interest-bearing obligations of the government not expressly made payable in lawful money, were payable in coin. It was shown that the voters of the country, in overwhelming majorities, approved and ratified that act.

An examination of that part of our financial history (1) relating to the various issues of bonds during the war period shows that the Republican party had the best and most honorable of reasons for taking the position it did with reference to the coin payment of the principal of the bonded debt.

As to the interest on the bonded debt there was no dispute. All agreed that, with trifling exception, it was payable in coin.

The first loan was negotiated under the act of July 17, 1861, supplemented by that of August 5, 1861. It provided for the issuance of 6 per cent. bonds, running twenty years, and of 7-30 notes, running three years, fundable at maturity into such bonds. Fifty million dollars of bonds were issued, and $139,999,750 of notes, almost all of which were funded into bonds.

The total amount of bonds issued under this act was $189,321,350, for the greater part of which the government received coin. From the adoption of the constitution up to the time when this loan law was passed, and for several months after, nothing was legal tender in this country but gold and silver. The bonds of the United States had uniformly been paid in coin. The country was upon a specie basis. The proposition to issue legal tender paper money had not been made. Is there any room to doubt that the understanding between the government and those who lent it money —mostly coin—under this law, was that the debt should be paid in coin? If that was the understanding, was not the Republican party right in 1869 when it declared that those bonds should be paid in coin?

The next loan bill, of February 25, 1862, authorized the issuance of $500,000,000 of 6 per cent. bonds, redeemable in five, and payable in twenty, years, and hence called 5-20s. Later $15,000,000 more were authorized; and nearly the whole amount was issued, the greater part in the summer and fall of 1863. This bill also authorized the issue of $150,000,000 of greenbacks, fundable at par into these bonds. The law said nothing as to how the bonds would be paid. But coin payment of interest on all the bonded debt was provided for by this law. At that time it was not thought that more than $150,000,000 of greenbacks would be issued. And the apparent intention of congress, as shown by the law itself, was that the greenbacks should ultimately be converted into bonds, not that the bonds should be paid in greenbacks.

It was thought that the war would soon be over, and specie payments resumed. Indeed, Lincoln in his annual message of December 1, 1862, and Secretary

Chase in his report of December 4, 1862 (2), both urged a speedy return to specie payments. It was supposed that the country would again be on a coin basis long before the bonds became payable; and it was not thought necessary to provide that the principal of the bonds should be paid in coin. But, since specie payments had been suspended—very temporarily, it was thought—it was necessary, in order to have the rate of interest as low as possible, to provide that the interest should be paid in coin. This provision did not mean that the principal should not be paid in coin, but that both principal and interest should be paid in coin.

That this is the view that congress took of the matter is shown by the statements made upon the floor of the house when the bill was under discussion. Thaddeus Stevens, of Pennsylvania, speaking in favor of issuing greenbacks, and of the readiness with which they could be converted into 5-20 bonds provided for by the same act, said:

"But my distinguished colleague from Vermont fears that enormous issues would follow, to supply the expenses of the war. I do not think any more would be needed than the $150,000,000,000. The notes bear no interest. No one would seek them for investment. * * * A dollar in a miser's safe unproductive is a sore disturbance. Where could they invest it? In United States loans at 6 per cent., redeemable in gold in twenty years, the best and most valuable investment that could be desired. * * * I pity no one who has his money invested in United States bonds, payable in gold in twenty years, with interest semi-annually. * * * Let us restate the various projects. Ours proposes United States notes secured at the end of twenty years to be paid in coin" (3).

When Mr. Chase placed these bonds on the market he stated officially, through the loan agents of the government, that the 5-20s were "a 6 per cent. loan, the interest and principal payable in coin" (4).

In the fall of 1862 the bonds of 1842 matured, whose issuing act said nothing as to the medium of payment. Gold was at a high premium. Nevertheless, they were paid in gold (4).

When the 5-20s were being sold, Mr. Whalley, a Boston bank president, raised the question as to how the bonds were to be paid. On May 26, 1863, Mr. Harrington, assistant secretary of the treasury, replied in an official letter as follows: "The five-twenty sixes, being payable twenty years from date, though redeemable after five years, are considered as belonging to the permanent loan; and so are also the twenty-year sixes (1881) into which the three years' seven-thirties are convertible. These bonds will, therefore, be paid in gold" (5).

Samuel Hooper, a member of the ways and means committee, which had charge of all bills for raising money, in a speech in the house January 19, 1863, speaking of the issue of greenbacks in February, 1862, said: "It was under these circumstances that the act was passed to authorize the issue of 'United States notes,' convertible on demand, not into specie, but into the bonded debt of the government, bearing interest at the rate of 6 per cent., and representing specie, as has been stated, because both the principal and the interest as they become due were payable in coin" (6).

On February 15, 1864, Mr. Field, assistant secretary of the treasury, writing about the 5-20s, said: "I am directed by the secretary to say that it is the purpose of the government to pay said bonds, like other bonds of the United States, in coin at maturity" (5).

With such circumstances attending the issue and sale of these bonds, would it ever have been honorable

for the government to pay them in depreciated paper money? If the government did not intend to pay the bonds in coin, was it not in honor bound, at the time, to correct the statements, made in congress and by the treasury officials, that the bonds would be paid in coin?

The next loan bill, that of March 3, 1863, authorized the issue of $900,000,000 of bonds running not less than ten, nor more than forty, years. These were called 10-40s, and bore 6 per cent. interest. In the discussion of this bill, Mr. Stevens, either forgetting or ignoring the position he took the year before that the principal of the bonds was payable in coin, intimated that the 5-20s might be paid in greenbacks. In refutation of this, Mr. Horton, of the ways and means committee, said: "I wish to state here that the committee of ways and means, in forming this bill, never dreamed that these twenty-year bonds were to be payable in anything other than coin until the gentleman from Pennsylvania (Mr. Stevens) told it yesterday upon the floor of the house. * * * I say to the gentleman and to this committee that I never heard an expression by any member of the committee of ways and means of the possibility that these bonds were to be payable in anything other than coin" (7).

Nevertheless, it was provided in this act, in order to remove all dispute, that the bonds should be paid in coin.

But the bonds expressly made payable in coin bore no premium in the market over those whose issuing acts were silent as to the medium of payment, although gold was at a high premium over greenbacks.

This fact, alone, proves conclusively that the uni-

versal understanding was that all the bonds were payable in coin. It is difficult to imagine just how Populists would try to get around this point.

The act of March 3, 1864, was supplementary to that of March 3, 1863, and like it provided that the bonds under it should be paid in coin. Under this act nearly $200,000,000 of bonds were issued. Some of them were 5-20s, but by far the greater part were 10-40s.

When the next loan bill, of June 30, 1864, was under discussion, Mr. Brooks, of New York, moved to insert an amendment that the bonds should be paid in coin. Owing to the well understood policy of the government to pay all the bonds in coin, Mr. Hooper, of the ways and means committee, stated that such an amendment was unnecessary; and as proof of this he presented a letter, dated May 18, 1864, from Mr. Chase, secretary of the treasury, in which he said:

"It has been the constant usage of the department to redeem all coupon and registered bonds forming part of the funded or permanent debt of the United States in coin, and this usage has not been deviated from during my administration of its affairs. All the treasury notes and other obligations forming part of the temporary loan are payable and will be redeemed in lawful money, that is to say, in United States notes until the resumption of specie payments, when they also will doubtless be redeemed in coin or equivalent notes. The five-twenty sixes being payable twenty years from date, though redeemable after five years, are considered as belonging to the funded or permanent debt, and so also are the twenty-year sixes into which the three years' seven-thirty notes are convertible. These bonds, therefore, according to the usage of the government, are payable in coin. The three years' seven-thirty treasury notes are part of the temporary loan, and will be paid in United States notes, unless holders prefer conversion to payment" (8).

After this convincing proof that the bonds were payable in coin, although the law did not expressly

declare them so. Mr. Brooks withdrew his amendment.

Mr. Fessenden, who succeeded Mr. Chase as secretary of the treasury, officially announced that the government bonds were payable in coin. In his report of December, 1864 (4), at the very time when large amounts of the 5-20s of 1864, and of 7-30s convertible into bonds, were being put upon the market, he says: "Though forced to the issue of paper for the time, the idea of a specie basis was not lost sight of, as the payment of interest on long loans in coin was amply secured. And although in several of the acts authorizing the issue of bonds at long periods, payment of the principal at maturity in coin is not specifically provided, the omission, it is believed, was accidental, as there could have been no intention to make a distinction between the different classes of securities in this regard."

Secretary McCulloch, who succeeded Mr. Fessenden, made similar declarations. On November 15, 1866, he wrote to L. P. Morton & Co., as follows: "I regard, as also did my predecessors, all bonds of the United States as payable in coin. The bonds which have matured since the suspension of specie payments have been so paid, and I have no doubt that the same will be true of all others. This being, as I understand it to be, the established policy of the government, the five-twenty bonds of 1862 will either be called in at the expiration of five years from their date and paid in coin, or be permitted to run until the government is prepared to pay them in coin" (4).

The act of March 3, 1865, and the amendatory act of April 12, 1866, provided for the issue of vast amounts of bonds; and hundreds of millions of 5-20s were issued.

When the movement to pay the bonds in greenbacks had attained some importance Secretary McCulloch most urgently maintained that the government could not honorably pay them in anything but coin. In his report of November 30, 1867, he said:

"Now, to what is the United States pledged in regard to the public debt? Is it not that it shall be paid according to the understanding between the government and the subscribers to its loans at the time the subscriptions were solicited and obtained? And can there be any question in regard to the nature of this understanding? Was it not that, while the interest bearing notes should be converted into bonds or paid in lawful money, the bonds should be paid, principal as well as interest, in coin? Was not this the understanding of the congress which passed the loan bills, and of the people who furnished the money? * * * Was there a single subscriber to the 5-20 bonds or to the 7 3-10 notes, which by their terms were convertible into bonds, who did not believe, and who was not given to understand by the agents of the government, that both the principal and interest of these bonds were payable in coin? * * * Good faith and public honor, which to a nation are of priceless worth, require that these contracts should be complied with in the spirit in which they were made. * * * It is true that the bonds, and notes convertible into bonds issued after the passage of the first legal tender act, were paid for in a depreciated currency, and were, therefore, in fact, sold at a discount; but it is not denied that they were sold fairly, and that every one had ample opportunity to subscribe for them. Agencies were established, and subscriptions solicited, in every part of the country; and liberal subscriptions were regarded as evidence of loyalty. That they were paid for in a depreciated currency was not the fault of the subscribers. They were sold for the highest price that could be obtained for them—not chiefly to the capitalists of the cities, but to the men of moderate means throughout the country, who subscribed for them, not for speculation, but to aid the government in its struggles with a gigantic rebellion; and it is a significant fact that, with rare exceptions, the complaints that they were sold at a discount come from those who, doubtful of the result, declined to invest in them" (9).

The foregoing facts, and many others of a similar character that might be cited, prove that the Republican party is entitled to praise, not to denunciation, for passing the credit strengthening act.

1—Bayley's "National Loans of the United States," p. 152; "Finance Report," 1867, p. 50. 2—Cong. Globe, 1862-3, part 2, appendix, pp. 2, 26. 3—Cong. Globe, February 6, 1862, p. 688. 4—Ridpath's "Life and Work of Blaine," pp. 259, 262, 264. 5—Cong. Globe, July 11, 1868, p. 3,962; Bolles, Vol. III., p. 316. 6—Cong. Globe, January 19, 1863, p. 385. 7—Cong. Globe, January 20, 1863, p. 412. 8—Cong. Globe, June 22, 1864, p. 3,187. 9—Cong. Globe, 1867-8, part 5, appendix, pp. 29, 30; "Finance Report," 1867, pp. 23, 24, 27.

CHAPTER X.

THE REFUNDING ACT.—A WISE MEASURE.—GREAT SAVING OF INTEREST.—GENERAL OWNERSHIP OF BONDS.

One of the awful crimes that Populist leaders charge upon the Republican party is the refunding of the public debt under the law of July 14, 1870, as amended by the law of January 20, 1871. Many men whose information is limited and whose prejudice is easily aroused, have been misled by Populist demagogues with reference to this matter to such an extent that what was, in reality, a very wise and beneficial measure is regarded by them as a scheme of oppression and robbery.

Emery (1) voices the sentiments of Populist leaders in the following words: "The next and fifth step in the infernal scheme was that of refunding the national debt. Few people ever comprehended the enormity of that crime, and never was there a deeper laid plot to reduce a people to abject and hopeless servitude."

Exactly what was it that the Republican party did which thus excites the ire, real or pretended, of Populist demagogues?

In 1867 bonds to the amount of about $500,000,000 became redeemable. That is, the government could pay them if it wished to do so and had the money with which to pay them; but the holders of the bonds could not demand payment until a later period. Although the government was paying off the public debt at the

rate of several million dollars a month, it did not have nearly enough money to pay off all the bonds as they became redeemable.

It was thought that the holders of these bonds would be willing to exchange them at par for other bonds running for a longer time and bearing a lower rate of interest. In this way there would be a considerable saving of interest to the government. Various schemes for thus refunding the national debt were suggested.

Thad. Stevens, in a speech in the lower house, July 17, 1868, said: "I am in favor of a funding bill which shall reduce the interest on our bonds. If no person shall choose to fund under such a bill, no harm will be done; if any person does choose to fund under it at a lower rate of interest than we now pay, we gain by it" (2). On the same day, Ben Butler, who was the candidate of the Greenback party for president in 1884, stated that he was in favor of refunding all the outstanding bonds into non-taxable bonds, running fifty years and bearing 3.65 per cent. interest. But Butler's plan to have the new bonds run fifty years was not regarded with favor generally. It looked too much like a perpetual debt, which is opposed to the policy and practice of our government through all its history.

President Grant, in his first inaugural address, March 4, 1869, said: "To protect the national honor, every dollar of government indebtedness should be paid in gold unless otherwise stipulated in the contract. Le it be understood that no repudiator of one farthing of our public debt will be trusted in public place and it will go far toward strengthening a credit which ought to be the best in the world, and will ulti-

mately enable us to replace the debt with bonds bearing less interest than we now pay."

After the credit strengthening act had greatly improved the credit of the nation and demonstrated the ability of the government to float its bonds at lower rates of interest than it was then paying, and as more of the outstanding bonds became redeemable, the advisability of refunding the public debt became apparent to everybory. A large majority in both houses of congress were in favor of it, but there was considerable difference of opinion as to the length of time the new bonds should run. Long time bonds, of course, could be floated at lower rates of interest than short time bonds.

By July, 1870, more than $1,000,000,000 of bonds, some of them bearing 5 per cent., but the most of them 6 per cent. interest, were redeemable; and a large amount more would soon become redeemable.

After much discussion the law of July 14, 1870, was passed (3). It was a compromise between the senate, favoring short time bonds, and the house, favoring long time bonds. It provided for the issue of $1,500,000,000 of bonds, bearing 5 per cent., 4½ and 4 per cent. interest, to be exchanged at par for outstanding 5 per cent. and 6 per cent. bonds. They were non-taxable, it being believed, with good reason, that if they were not subject to taxation the government could dispose of them on more favorable terms. The new 5 per cent. bonds were redeemable after ten years; the 4½ per cent. bonds, after fifteen years; the 4 per cent. bonds, after thirty years.

Under this law the bonds bearing a high rate of interest that the government did not have the money to pay were gradually exchanged for bonds bearing a

lower rate of interest. The process of refunding was interfered with by war in Europe, by the panic of 1873, and by the free silver agitation in this country. In 1881 Secretary Windom exchanged 3½ per cent. bonds, payable at the pleasure of the government, for all the outstanding 5 and 6 per cent. bonds.

On July 1, 1870, before the refunding began, the total interest bearing debt of the government was $2,046,000,000, and the annual interest charge was $118,784,000, or $3.08 per capita. On July 1, 1882, after the refunding process, so far as the law of 1870 is concerned, was complete, the total interest bearing debt of the government was $1,463,000,000, and the annual interest charge was only $57,300,000, or $1.09 per capita. It will be seen that the total debt had been reduced 28 per cent. and the annual interest charge 52 per cent (4).

If a man has a promissory note that he cannot pay, it is a very beneficial thing for him to renew it at a lower rate of interest.

That is exactly what the government did by refunding its debt. That is the very act which is so vehemently denounced by Populist demagogues.

Before 1890 Emery wrote with reference to the bonded debt and the refunding act: "In consequence of this nefarious act, about $750,000,000 of the debt cannot be paid until 1907" (1). Contrary to this ignorant prophecy, the total interest bearing debt of the United States on November 30, 1891, was only $585,026,870 (5).

That the refunding of the public debt was a crime against the people, is not the only delusion entertained by Populists with reference to the bonds. They also seem possessed of the idea that when the bonds were being issued only a few people had means enough to

invest in them, and that when, by the successful termination of the war, the bonds were enhanced in value, only a few received the benefit. And these few are spoken of in Populist literature as "Shylocks" and scoundrels.

The fact is that the bonds were issued in denominations of $50 and upwards, and hence were easily within the reach of the great mass of the people. The government reports show that vast quantities of the bonds were sold to people of moderate means, and even to poor people who wished a sure investment for their scanty savings.

The $830,000,000 of 7-30 notes, all of them outstanding until 1867, were convertible at maturity, at the option of the holder, into bonds. Populists assert that the 7-30 notes, along with the greenbacks, were in general circulation as money all over the country. If this is true, surely a great number of people had an opportunity to obtain government bonds by exchanging 7-30 notes for them.

Secretary Chase, in his report of December 10, 1863, speaking of the sale of several hundred million 5-20 bonds that year, says that they were "distributed throughout the whole country, not controlled by the rebellion, and among all classes of our countrymen. The history of the world may be searched in vain for a parallel case of popular support to a national government" (6).

In a speech in congress in 1877, James A. Garfield said: "I took occasion a few years since to ask the officers of a bank in one of the counties in my district, a rural district, to show me the number of holders and amount held of United States bonds on which they collected the interest. The total amount was $416,000.

And how many people held them? One hundred and ninety-six. Of these just eight men held over $20,000 apiece, and the other 188 ranged from $50 up to $2,500. I found in that list fifteen orphan children and sixty widows, who had little left them by their husbands and fathers' estates, who had made the nation their guardian" (7).

The refunding act was passed by very able and honest legislators, and was, on the whole, a very beneficial thing for the government.

During the war, and for years after, there was a general ownership of government bonds among the people.

1—"Seven Financial Conspiracies," pp. 47, 48. 2—Cong. Globe, July 17, 1868, p. 4,177. 3—Lalor, vol. 3, p. 560; "National Loans of the United States," by Bayley, p. 170. 4—"Statistical Abstract of the United States," 1894, p. 6. 5—Tribune Almanac, 1892, p. 101. 6—Cong. Globe, 1863-4, part 4, appendix, p. 7. 7—"Annual Cyclopedia," 1878, p. 191.

CHAPTER XI.

DID EARNEST SEYD, WITH $500,000, BRIBE CONGRESS TO DEMONETIZE SILVER?—FORGED EVIDENCE.

One of the most widely circulated statements made by Populist speakers and writers is that about 1868 an awful capitalistic conspiracy against silver was formed, and that in pursuance of this conspiracy, in the winter of 1872-3, Ernest Seyd, representing English and German bankers, came to this country with an immense sum of money and bribed congress to demonetize silver.

This charge can be best set forth in the words of Ignatius Donnelly, probably the most eloquent and entertaining demagogue in the Populist party, in a speech at Waterville, Minn., August 16, 1892:

"Now, then, my friends, this is what these terrible conspirators against mankind saw, and so they persuaded Germany and France to come together, and persuaded Germany to demonetize silver because Germany had taken from France all her gold, and then this Ernest Seyd came over here and got the United States to follow in their line. Some people may say, 'Oh, well, that can't be possible;' my friend, a man named Reckenbacken, living in Denver, a mercantile man, went before the clerk of the supreme court and made oath to an affidavit, and it has been published all over this country, in which he swears he was in England and dined at the house of this Ernest Seyd, was his intimate friend in London, and when the conversation turned upon which was the more corrupt and rotten, the English parliament or American congress, Ernest Seyd told him in his own house just what he had done with that particular $500,000 of English gold, bought up the

congress, and that it was the rottenest body of men on earth" (1).

In the exuberance of his zeal Donnelly does not give correctly the name of the man who made the affidavit. His name is Luckenback.

In support of this charge Populists offer three "proofs."

The first one, showing that Mr. Seyd was in this country when the bill for the demonetization of silver was before congress, is an alleged quotation from the speech of Mr. Hooper, of Massachusetts, as found in the Congressional Globe of April 9, 1872, page 2304 (2), though Mr. Weaver says that it was on April 19, 1872, that Mr. Hooper made the remarks quoted. Mr. Hooper was chairman of the committee of coinage, weights and measures, and had charge of the bill, and made an extended speech in favor of its passage. Of course, a statement by Mr. Hooper, on the floor of congress, in April, 1872, that Mr. Seyd was then here would be taken as almost conclusive evidence that Mr. Seyd was here at that time.

The alleged quotation is here given as made by James B. Weaver, that self-appointed champion of truth and reform. It represents Mr. Hooper as saying (3):

"The bill was prepared two years ago, and has been submitted to careful and deliberate examination. It has the approval of nearly all the mint experts of the country and sanction of the secretary of the treasury. Ernest Seyd, of London, a distinguished writer and bullionist, is now here and has given great attention to the subject of mints and coinage, after examining the first draughts of this bill, made various sensible suggestions which the committee accepted and embodied in the bill. While the committee take no credit to themselves for the original preparation of this bill, they have given it the most careful consideration, and have no hesitation in unanimously recommending its passage as necessary and expedient."

An examination of the Congressional Globe of April 19, 1872, shows that on that day Mr. Hooper made no remarks whatever upon any subject before the house. But the Globe of April 9, 1872, page 2304, contains a long speech by Mr. Hooper in favor of the bill demonetizing silver; and it is from this speech that the alleged quotation is made.

As given by the Globe, that part of the speech which Populist writers pretend to quote is as follows:

"The bill was prepared two years ago, and has been submitted to careful and deliberate examination. It has the approval of nearly all the mint experts of the country, and the sanction of the secretary of the treasury. Mr. Ernest Seyd, of London, a distinguished writer, who has given great attention to the subject of mints and coinage, after examining the first draft of the bill, furnished many valuable suggestions which have been incorporated in this bill. While the committee take no credit to themselves for the original preparation of this bill, they have given to it the most careful consideration. and have no hesitation in unanimously recommending its passage as necessary and expedient."

It will be noticed that the essential words, "is now here," relied upon to prove the presence of Mr. Seyd in this country, are not in the remarks of Mr. Hooper as given in the Globe. The words ascribed to him are not to be found anywhere in the record of the discussion. In other words, some dishonest person, knowing that the people generally have not access to the Congressional Globe of 1872, has inserted the words, "is now here," into the remarks of Mr. Hooper, as found in the Globe; and then Populist writers have published the forgery all over the country in substantiation of their preposterous charges against the honesty of the American congress.

The second "proof" is a pretended quotation from

the Bankers' Magazine of August, 1873. According to Emery (2) it is as follows:

"In 1872, silver being demonetized in France, England and Holland, a capital of $500,000 was raised, and Ernest Seyd, of London, was sent to this country with this fund, as agent of the foreign bondholders and capitalists, to effect the same object (demonetization of silver), which was accomplished."

The quotation as published by Weaver (4) is essentially the same.

Probably not one person in a million remembers ever to have seen the Bankers' Magazine of August, 1873. It would be impossible for a person having access only to libraries of ordinary size to verify or disprove the accuracy of an alleged quotation from it. Mr. A. R. Spofford, librarian of congress, is authority for the statement that the alleged quotation cannot be found either in the New York or the London Bankers' Magazine of August, 1873 (5). In other words, Populist leaders again resort to forgery to sustain their reckless charges.

Is it not about time for those who have been accepting without question the statements of Populist leaders to begin to read standard reliable works relating to our financial history, and find out how far astray they have been led by designing and crafty demagogues?

The third "proof" is the affidavit of Luckenback (6). This states that in 1874 Luckenback was in London, the intimate friend and guest of Ernest Seyd; that Ernest Seyd, after pledging Luckenback to secrecy as long as he (Ernest Seyd) should live, told him that he came to America "in the winter of 1872-3" with $500,000 and bribed congress to demonetize silver.

There are several considerations that stamp this affidavit as false, and on a level with the forgeries that have been noticed

The son of Ernest Seyd has written a letter denying the charge and asserting that his father was never in this country after 1856. The main part of the letter is as follows (7):

"Sir: Statements have been circulated for some time past in the press of the United States that the late Ernest Seyd went to Washington in 1872 at the instance of a powerful clique of financiers with £100,000, in order to bribe members of congress to vote for the demonetization of silver. I trust you will allow me to assure you the story is an entire fabrication, Mr. Seyd never having been in the states since 1856. The absurdity of this myth is the more apparent, as my father had been an ardent champion of silver, and was the first to take up the silver cause in England against the prevailing doctrinism here, as his numerous works on the subject will show.

"Surely, sir, the silver party in the states are not well advised in spreading these baseless rumors and sacrificing one of their best friends.

"I remain, yours truly,

"ERNEST SEYD,
"38 Lombard street, London, E. C."

Populists claim that Mr. Seyd was here in April, 1872—and publish the forged quotation from the Congressional Globe to prove it. The affidavit states that he came here in the winter of 1872-3. Then, according to Populist statement, he must have been here twice. And yet, Populists give the name of no man who will say that he saw him on either of those visits. They do not give Seyd's name as found in the list of passengers on any ocean steamer. They do not refer to any hotel register of that date where his name can be found. They do not bring forward any of the many proofs that would reasonably be expected in such a case.

They rely upon the affidavit of the creature Luckenback.

They know that Ernest Seyd cannot rise from his grave and prove the charges false—so all they have to

do is to believe the affidavit of Luckenback, and they have the most convincing evidence that silver was secretly, stealthily, surreptitiously, fraudulently, corruptly demonetized in 1873.

What kind of a man must Luckenback be? He claims to have been the intimate friend of Mr. Seyd. In his affidavit he states that from 1865 to 1874 he went to London every year, and every time he went there he was entertained at the home of his friend. A man who would needlessly, even by a true affidavit, blacken the memory of a dead friend and bring disgrace upon his family, is fit only for the company of liars and scoundrels.

Surely in this matter the denial of the son is more worthy of belief than the affidavit of Luckenback.

During all the period, 1853 to 1873, the silver dollar was worth from $1.02 to $1.05 in gold. It is absurd to suppose that, years before silver became the cheaper money at the mint ratio, money lenders in America and Europe formed a "conspiracy" to prevent their debtors from paying them in silver.

The bill dropping the silver dollar from our list of coins had passed the senate on January 10, 1871, by a vote of 36 to 14. It had passed the house on May 27, 1872, by a vote of 110 to 13 (8). In the name of common sense, what need was there for English and German bankers to send Seyd here in the winter of 1872-3, to bribe congress to favor a measure that had already passed both houses of congress without a word of opposition from a single member? Granting that bankers are as willing to resort to bribery as Populists claim—and the word of those who forge government reports would, of course, be accepted as conclusive on this point—they should be credited with having sense

enough not to use bribery when there is no necessity whatever for it.

Ernest Seyd was one of the most noted bi-metallists of the world at that time, and had written several works in which he most strenuously urged the use of silver as standard money on equal terms with gold. He had been consulted, as an authority on finance, by those in charge of the bill for the demonetization of silver, and had been requested to give his opinion with reference to the various provisions of the bill. In a letter to Mr. Hooper from London, dated February 17, 1872—about the time Populists say he was in this country—he wrote strongly against the dropping of the silver dollar from our lists of coins as the bill provided (9).

Yet we are asked to believe that Mr. Seyd bribed congress to overthrow the monetary principles that he had spent the larger part of his life in upholding. While he lived he was regarded as a very able, honest man. The only discreditable thing ever brought against him is the contemptible charge that Luckenback brings against him after his lips are silent in death.

Suppose for the moment that it is true that Mr. Seyd did bribe congress to demonetize silver. From the affidavit of Luckenback it appears that Mr. Seyd told him of his infamous act, not impelled by remorse, but merely as a matter of news, with the tacit permission to Luckenback to tell the whole thing as soon as Mr. Seyd should die Mr. Seyd knew that the publication of his infamy would stamp him in the eyes of all honest men as a vile hypocrite and bring odium upon his sons and his family. Had he no regard for his own reputation or that of those he would leave behind

him? It is not credible that Seyd would have told Luckenback of his infamy without pledging him to eternal secrecy. Luckenback's affidavit bears upon its face the indubitable marks of falsehood.

Simply because the American people are an intelligent, reading people, the charge that congress was bribed to demonetize silver is bound to take its place along with the other political lies of history.

1—Newspaper clipping. 2—"Seven Financial Conspiracies," p. 52. 3—"Call to Action," p. 320. 4—"Call to Action," p. 321. 5—Cong. Record, August 24, 1893, p. 795. 6—Cong. Record, August 21, 1893, p. 561. 7—Cong. Record, Sept. 28, 1893, p. 1,870. 8—Lauglin's "History of Bi-metallism," p. 98. 9—Cong. Record, August 22, 1893, p. 585.

CHAPTER XII.

WITH FREE COINAGE THE UNITED STATES ALONE CANNOT MAINTAIN THE PARITY OF GOLD AND SILVER AT 16 TO 1.

Populists claim that if the United States should establish the free and unlimited coinage of gold and silver at the ratio of 16 to 1, we could, independently of other nations, maintain the parity of the two metals at that ratio, and that gold and silver coins would freely circulate side by side with equal purchasing power dollar for dollar. They assert that with free coinage from 1792 to 1873 we had no difficulty in maintaining the parity of the metals at the mint ratio, and that our experience under free coinage in the past is the best evidence as to what our experience under free coinage would be if it should again be established.

It is without doubt true that our experience under free coinage furnishes almost conclusive proof as to what would be the result if we should establish free coinage at the ratio of 16 to 1. Experience is the best teacher. A pound of actual test is worth a ton of theory in determining any practical question.

But our financial history does not sustain this claim of the Populists; it indisputably proves the very opposite of that which they claim.

The United States mint was established in 1792. Taking no notice of the small charge made by the gov-

ernment for converting bullion into coin during a part of the time, it is correct to say that from 1792 to 1873 we had the free and unlimited coinage of gold and silver in this country.

It is the main purpose of this chapter to prove that during a large part of that period of eighty-one years the laws of this country utterly and entirely failed to maintain the value of gold and silver at the mint ratio.

Alexander Hamilton, secretary of the treasury, in determining the mint ratio, recognized the fact that with free coinage it is necessary, in order to secure the circulation of both metals, that the mint ratio should be substantially the same as the market or bullion ratio, and that "one consequence of overvaluing either metal, in respect to the other, is the banishment of that which is undervalued."

Jefferson agreed with him in this, and said: "Just principles will lead us to disregard legal proportions altogether, to inquire into the market price of gold in the several countries with which we shall principally be connected in commerce, and to take an average from them" (1).

At that time none of those in charge of our financial affairs claimed that this government, or any other government, could arbitrarily establish a mint ratio very different from the market ratio and maintain both metals in circulation. The distinction of making such a claim as that was reserved for the champions of free silver of a later day.

Hamilton decided that an ounce of gold bullion was worth fifteen ounces of silver bullion; and 15 to 1 was established as the ratio at the United States mint. It could hardly have been possible for Hamilton to decide the matter more accurately, for in 1793, in the bullion

markets of the world, an ounce of gold would exchange for exactly fifteen ounces of silver (4).

Both gold and silver were an unlimited legal tender. Gold was coined at the rate of 24.75 grains of pure gold to the dollar. Our standard silver dollar has always contained 371.25 grains of pure silver. Up to 1853 the smaller silver coins had as much pure silver, in proportion, as the dollar.

For several years there was no difficulty in maintaining the parity of the two metals at the mint ratio, and gold and silver circulated freely. But, owing largely to the greatly increased production of silver, it gradually became cheaper; and an ounce of gold became worth appreciably more than fifteen ounces of silver.

When an ounce of gold could be exchanged in the market for more than fifteen ounces of silver, it would, of course, not circulate as the legal equivalent of only fifteen ounces of silver. The owner of gold could make a greater profit by disposing of it as bullion than he could by disposing of it as coin. If two coins of unequal value are a legal tender for the same amount only the less valuable coin will circulate.

With free coinage, gold and silver, in the bullion markets of the country, have the same value in the form of bullion that they have in the form of coin. This is true because it costs nothing to have the bullion made into coin; hence any difference between the value of the uncoined metal and the coined metal must be of the most temporary and incidental character. Senator Jones, of Nevada, says on this point: "Of course, with unrestricted coinage in any country, the bullion value and the mint value will in that country be coincident" (5).

And when the bullion or market value of either metal varies from the value given to it by the mint laws, it is invariably the market value that fixes the value of the coin. The coin adapts itself to the bullion value, and is worth no more than the bullion it contains, whatever may be its nominal value. This is why it is true that in Mexico, where there is the free coinage of silver at the ratio of 16½ to 1, Mexican coin exchanges for gold at about the ratio of 32 to 1.

So, when at the mint ratio, gold bullion commanded a premium over silver bullion of 3 or 4 per cent., gold coins commanded a premium over silver coins of 3 or 4 per cent., and went out of circulation. By a law almost as powerful as the law of gravitation, the cheaper money drove out the dearer money.

It is now proposed to offer clear and strong proof that during a large part of the period, 1792 to 1834—say from 1821 to 1834—the mint laws of this government were powerless to maintain the parity of gold and silver at the mint ratio; that gold coin did not circulate at all in this country, and bore a constant premium over silver at the mint ratio.

In 1876 congress appointed a commission to investigate the entire question of coinage. It is known as the United States monetary commission of 1876. Senator Jones, of Nevada, now a Populist, and generally recognized as the ablest advocate of free silver in America, was the chairman of that commission, and made out the majority report, which was also signed by Mr. Bland, of Missouri, another noted free silver man (7). In that report Mr. Jones said:

"Notwithstanding the legal relation of value between the two precious metals established in 1792 in this country did not coincide exactly with the market relation, yet they circulated

concurently, with perhaps a preponderance of silver in the circulation until 1821. * * * Between 1821 and 1834, when the legal equivalency between the metals was 15 to 1, gold was at a premium in silver of from 5 to 7 per cent., and disappeared from the circulation, and but little was brought to the mint for coinage. * * * Prior to 1834, all gold coins, domestic and foreign, had disappeared from the circulation in consequence of the premium on gold" (8).

Thomas H. Benton, who represented Missouri in the United States senate from 1820 to 1850, and who ranked among the leading men of the nation at that time, giving the substance of his speech in the senate in 1834, says:

"Thus the absence of a small note currency, and the constant arrival of doubloons from the lower Mississippi, deferred the fate of the gold currency, and it was not until the lapse of nearly twenty years after the adoption of the erroneous standard of 1792 that the circulation of that metal, both foreign and domestic, became completely and totally extinguished in the United States. The extinction is now complete, and must remain so until the laws are altered. * * * Four secretaries of the treasury, Gallatin, Dallas, Crawford, Ingham, had, each in their day, pointed out the error in the gold standard and recommended its correction. Repeated reports of committees in both houses of congress had done the same thing. * * * Mr. B. said that the false valuation put upon gold had rendered the mint of the United States, so far as the gold coinage is concerned, a most ridiculous and absurd institution. It has coined, and that at large expense to the United States, 2,262,717 pieces of gold, worth $11,852,790. And where are these pieces now? Not one of them to be seen. All sold and exported. And so regular is this operation that the director of the mint, in his latest report to congress, says that the new coined gold frequently remains in the mint uncalled for though ready for delivery, until the day arrives for a packet to sail to Europe" (10).

Sumner, speaking of the period prior to 1834, says: "The fact is certain that the laws of the mint gave the

country a silver currency only, and that gold was exported or melted" (11).

Laughlin, noted for the historical accuracy of his statements, says: "Certain it is that gold disappeared and that the United States had but a single silver currency as early as 1817, and probably earlier" (2).

Bolles, a standard financial authority, says: "For several years after establishing the mint and regulating the coinage, the market value of gold and silver abroad and at home, corresponded with the mint valuation, so that both metals circulated at the legal ratio. Neither one was worth for exportation more than the other. * * * Of the two metals it was apparent, even before the war of 1812, that gold was more desirable for exportation than silver. * * * The legal valuation did not correspond with that of the market. Its valuation was too low compared with silver, and consequently gold fled to foreign countries. Year after year the current set away from our shore" (13).

The report of the director of the mint for January 1, 1825, says: "Deposits of gold have, for the last three years, been inconsiderable. While gold bullion is in demand at a premium on its standard value for exportation as a remittance, instead of bills at the current exchange, no adequate inducement exists to bring it to the mint if its value can be otherwise satisfactorily ascertained. It is obvious that if coined and issued under such circumstances it can not be retained in circulation" (15).

The report of the director of the mint for January 1, 1827, speaking of the operation of the mint during 1826, says:

"The amount of gold deposits has been less than that of the year 1825 by about $64,000, a result attributable, probably,

to the higher premium on gold, in bullion, and in every description of coin, which has distinguished the last year. This premium has varied from 4 to 6 per cent. on gold coins. * * * The diminished coinage of gold is, therefore, the less to be regretted, since, under existing circumstances, it cannot, when coined, be retained in circulation" (16).

The director of the mint in 1833 reported that from 1821 to 1832 the premium on gold ranged from 2 to 7 per cent. (17).

The law of 1834, which was supplemented slightly by the law of 1837, was passed for the express purpose of bringing gold back into circulation. The mint ratio was changed to 16 to 1, at which ratio the gold dollar contains 23.22 grains of pure gold. The results of the law were immediately apparent; and gold coins were soon flowing in abundance through all the channels of trade.

But the new law undervalued silver; sixteen ounces of silver were worth somewhat more than one ounce of gold. Hence the tendency was to sell silver as bullion rather than to use it as money. After California and Australia began to produce gold in vast quantities it became cheaper as compared with silver, and our mint laws could not prevent it. As the premium on silver bullion over gold bullion at the mint ratio increased, the premium on silver coins over gold coins increased. By 1853 the silver dollar disappeared entirely from circulation, and even the smaller silver coins were to a great extent gathered up and sold as bullion.

In 1853 congress passed a law reducing the amount of pure silver in the smaller silver coins nearly 7 per cent., and made them a legal tender for only $5. The right of free coinage as to these coins was also taken away. It was provided that the government should purchase silver bullion and coin these subsidiary pieces

as they were needed for change over the country, and exchange them for gold coins at par (18).

Up to 1857 some foreign silver coins were a legal tender in this country; but none of them were a legal tender which did not have more pure silver in them than the corresponding American coins (19). Therefore, these coins were driven out of circulation, because they were undervalued at the mint, sooner than the American coins were driven out of circulation for the same reason.

As soon as silver coins bore a premium over gold coins of 2 or 3 per cent., they went out of circulation, and the gold dollar became the practical standard of value. The only silver coins that circulated were the subsidiary pieces, coined only by the government, and at the ratio of 14.95 to 1, and some foreign coins so much worn and clipped that their value was far below that required by the ratio of 16 to 1.

Although the owner of silver bullion could have it coined into full legal tender money—dollars—on the same terms that the owner of gold bullion could have his gold coined, from 1853 to 1873, inclusive, only $5,-524,348 of silver was thus coined; while during the same time $615,312,000 of gold was coined. During that period the world's production of gold was only two and one-half times the production of silver; and this country's production of gold was only six times that of silver—yet, 111 times as much gold as silver came to our mints for free coinage. And the few silver dollars that were coined were exported or used for other purposes than money.

It is now proposed to offer clear and strong proof that during a large part of the period, 1834 to 1873—say from 1853 to 1873—the mint laws of this govern-

ment were powerless to maintain the parity of gold and silver at the mint ratio, and that no silver was used as money in this country at the ratio of 16 to 1.

Senator Jones, as chairman of the monetary commission, said: "After the change made in 1834 in the legal relation of value between the two metals, they circulated concurrently until about 1850, although on account of the undervaluation of silver by the law of 1834, there was a constant tendency to an exportation of silver in the settlement of foreign balances. * * * Between 1850 and 1873, whenever payments were made in coin, gold was used because it was the cheaper of the two metals, just as silver was used for a similar reason between 1821 and 1834" (9).

Sumner, speaking of the law of 1834, says: "As before no one would pay a debt with gold dollars, so now no one would pay a debt with silver dollars. Silver went out of circulation and became the better metal to export, while for the same reasons gold became the better remittance this way. The only silver which could circulate here was that which was worn or clipped until it was not worth more than silver was rated at in our coinage." Of the law of 1853 he says: "The silver dollar was not altered, but it had disappeared and ceased to be a coin of the country" (12).

Bolles speaks of the law of 1834 as follows: "The new valuation soon exposed the fact that the valuation of silver was too low; consequently it disappeared from circulation. Later the golden riches of California and Australia were discovered. The effect of these discoveries was to diminish the value of gold; and, of course, the silver shrank still farther out of sight" (14).

Laughlin makes this statement: "At no time after the act of 1853 until the civil war was the silver dollar

of $412\frac{1}{2}$ grains equal to less than 103 or 104 cents of our gold coins, and consequently it was never seen in circulation" (3).

Thomas Corwin, secretary of the treasury, in his report of January 15, 1853, speaking of the disappearance of silver coins in consequence of the premium on silver, says:

"The inconvenience arising from the scarcity of silver coinage still continues, and to such an extent as calls loudly for some legislative action to remedy the evil. * * *If, as I believe is the fact, this difference in the relative value of the two metals arises from the immense and increased supply of gold which has been furnished from California and Australia, there can be but little doubt such difference will continue to increase. This state of things has banished almost entirely from circulation all silver coin of full weight; and what little remains in the hands of the community consists principally of worn pieces of Spanish coinage of the fractional parts of a dollar, all of which are of light weight, and many of them 10 or 20 per cent. below their nominal value. * * * The natural and inevitable consequences of the premium which silver now bears have been to establish, practically, gold as the only legal tender" (20).

James Guthrie, secretary of the treasury, in his report of December 6, 1853, speaking of the gold on hand with which to purchase silver bullion to coin into subsidiary pieces, says: "This enabled the mint to give gold, which circulated as money, for silver, that was out of circulation because of the premium upon it" (22).

Secretary Guthrie, under date of April 28, 1856, reported with reference to the undervaluation of gold by the ratio of 16 to 1:

"Consequently, gold remained in the country, and silver became an article of export, and rapidly disappeared, and now the silver dollar coined at the United States mint under the

act of 1792, is worth, at the same mint, a premium of from 4 to 5 per cent. To remedy this, in part, the act of February 21, 1853, was passed" (21).

James Pollock, director of the mint, in his report of October 10, 1861, states that at that time the silver dollar was worth nearly $1.04 in gold, and says: "Silver dollars are no longer to be had, or are very rare" (23).

Again, in his report of October 21, 1863, Mr. Pollock says: "The dollar is our unit of value, but the value of the gold and silver dollar, under existing laws, is not the same. * * * The gold dollar should be, by law, adopted as the unit value of our money" (24).

On April 9, 1872, Mr. Hooper, of Massachusetts, in a speech in congress in favor of the bill demonetizing silver, which became a law in 1873, said: "The silver dollar, which by law is now the legally declared unit of value, does not bear a correct relative proportion to the gold dollar. Being worth intrinsically about $1.03 in gold, it cannot circulate concurrently with the gold coins."

On the same day Mr. Kelley, of Pennsylvania, said: "By a mistake in our law it has become impossible to retain an American silver dollar in this country, except in collections of curiosities" (6).

The facts and evidence here given prove beyond the reach of intelligent contradiction that those are greatly mistaken who claim that under free coinage this government had no difficulty in maintaining the parity of gold and silver at the mint ratio and making our gold and silver dollars of equal value.

It has been shown that for years at a time $5 in gold was worth from $5.10 to $5.35 in silver; and that, later,

for many continuous years, $5 in silver was worth from $5.10 to $5.25 in gold.

Our financial history clearly shows that we maintained the parity of the two metals only so long as our mint ratio was about the same as the market or bullion ratio, and that our mint laws could not prevent the bullion ratio from differing substantially from our mint ratio.

The market ratio of gold and silver is about 32 to 1. The claim that the United States alone can, with free coinage, maintain the parity at the ratio of 16 to 1 finds no support either in history or in reason. At that ratio gold would be undervalued nearly 50 per cent. Prior to 1834 gold went out of circulation when it was undervalued only 3 per cent. and later, silver went out of circulation for a similar reason. Surely, then, there is no ground for hope that we could keep gold in circulation when undervalued nearly 50 per cent.

If gold went out of circulation the silver dollar would be, practically, our standard of value. And the silver dollar would have but about half the purchasing power of the gold dollar it displaced; for, as has been stated, with free coinage the coin is worth no more than the bullion it contains; and in all civilized countries the silver in our silver dollar is worth only about 50 cents in gold.

If we are to give silver free coinage at the old ratio, let us do it with our eyes open, and knowing the results that will inevitably follow. Let us do it knowing that it will place us practically upon a silver basis, with the value of our measure of value suddenly diminished nearly one-half.

If we could, by a process extending through a number of years, gradually go on to a silver basis, the

change would not be so disastrous. But, if we pass a law giving silver free coinage at the ratio of 16 to 1, we will go on to a silver basis just as soon as the lightning flashes the news over the country that the law has been passed—if the change has not been already made in anticipation of the passage of the law. The boat riding below Niagara Falls may be about as good as it is above; but the experience of going over the falls is one that can well be dreaded.

1—"History of Bi-Metallism in the United States," p. 11. 2—Same, p. 30. 3—Same, p. 86. 4—"Coin's Financial School," p. 34. 5—Cong. Record, 53d congress, special session, Vol. 25, part 3, appendix, p. 617. 6—Same, April 9, 1872, pp. 2,305-2,311. 7—Speech in senate by Senator Jones, May 12, 13, 1890, printed in book form, p. 18. 8—"Reports of Committees," Nos. 157 to 219, 2d session 44th congress, 1876-77," report of monetary commission, pp. 10, 87, 90. 9—Same, pp. 10, 88. 10—"Thirty Years' View," Vol. 1, pp. 442, 443. 11—"History of American Currency," p. 108. 12—Same, pp. 109, 110, 187. 13—"Financial History of the United States," Vol. 2, pp. 502, 503. 14—Same, p. 511. 15—"American State Papers," finance, Vol. 5, p. 226. 16—Same, p. 619. 17—"Annual Cyclopedia," 1878, p. 146. 18—"Coinage Laws of the United States, 1792 to 1884," p. 27. 19—Same, p. 25. 20—"Report on the Finances, 1851-52," p. 11. 21—Same, 1855-56, p. 666. 22—"Finance Report," 1853-4, p. 6. 23—Same, 1861, p. 63. 24—Same, 1863, p. 191.

CHAPTER XIII.

FREE COINAGE AT 16 TO 1 BY THE UNITED STATES ALONE MEANS SILVER MONO-METALLISM.

At the ratio of 16 to 1 the silver dollar contains 371.25 grains of pure silver. There are 480 grains in an ounce, hence an ounce of silver coined at that ratio makes $1.29.

Therefore, if we should coin silver free at the ratio of 16 to 1, silver bullion in this country would always be worth $1.29 per ounce in silver coin.

And a person would not give more gold or wheat for a certain amount of coined silver than he would for the same amount of silver uncoined; for he could, with his gold or wheat, buy the uncoined silver and have it made into coin free of charge. This is but another statement of the fact that should always be borne in mind when considering the question of coinage; namely, that with free coinage, in the bullion markets of the country the value of the uncoined metal is the same as the value of the coined metal—the coin is worth no more than the bullion it contains.

In all commercial countries the value of bullion is practically the same. It cannot be greater in one place than it is in another place by more than the cost of transportation between the two places, and it is usually very much less (1).

There is no dispute between the friends and the foes of free coinage that the effect of giving free coinage to silver at the ratio of 16 to 1 would be to fix the value of

silver bullion all over the world at substantially $1.29 per ounce in silver coin.

Senator Jones, of Nevada, says:

"When silver becomes $1.29 here it becomes $1.29 everywhere. * * * Does the senator suppose when the government of the United States gives $1.29 an ounce for silver that any one can get an ounce of the metal for any less than that amount anywhere in the world?" (2).

Mr. Bartine, one of the ablest advocates of free silver, said in a speech in congress:

"What we propose by free coinage is simply to raise the price of the uncoined and uncoinable bullion to $1.29. * * * The evidence is simply conclusive that bullion is of substantially the same value in all the bullion markets of the world" (3).

Senator Teller, of Colorado, said:

"If the government of the Unted States should open its mints, and say, for every ounce of silver brought to us we will pay $1.29, who would sell their silver anywhere in the world for less than that?" (4).

After having thus, by giving silver free coinage at the ratio of 16 to 1, fixed the value of the world's silver bullion at $1.29 in our silver coin, what would be its value in our gold coin?

If there was a parity—an equality of value—between gold and silver, silver bullion would be worth $1.29 per ounce in gold coin as well as in silver coin.

At present silver bullion is worth only 67 cents per ounce in gold.

Would the establishment of free coinage at the ratio of 16 to 1 by this country alone cause silver bullion in this country, and practically all over the world, to advance in price to $1.29 per ounce in gold—an advance of nearly 100 per cent? If it would not free coinage would inevitably result in practical silver mono-metallism.

It is the purpose of this chapter to show that such action on the part of this country alone would not thus advance the price of silver.

In 1871 silver bullion was selling for $1.32 per ounce in gold; and an ounce of gold bullion would exchange for about 15½ ounces of silver bullion (5). As has been stated, silver bullion now sells for 67 cents per ounce in gold, and an ounce of gold bullion exchanges for nearly thirty-two ounces of silver bullion.

What has caused this tremendous decrease in the value of silver as compared with gold? If we can determine this correctly, we can then intelligently decide whether free coinage, at the ratio of 16 to 1 by this country alone, would be a cause sufficiently powerful to raise the value of silver to $1.29 in gold, and cause an ounce of gold bullion to exchange for sixteen ounces of silver bullion — without which advance in value there could be no parity between the metals.

The greatest cause of the low price of silver is its rejection as a money metal by the leading nations of the world. In this discussion reference is made only to money of full debt paying power, not to subsidiary silver coins of limited legal tender quality used for change.

The value of silver bullion, like all other products of human labor, is governed absolutely by the great law of supply and demand. The supply remaining the same, if there is a decreased demand for any article it is bound to become cheaper. If the supply increases while the demand decreases, the cheapening result is all the greater. All will admit that if half the people who use flour as food should cease using it flour would fall tremendously in value.

Exactly so it is with silver. Its greatest use is for

money. It is this use that creates the greater part of the demand for silver, and it is the demand for silver, operating against the supply, that gives silver its value.

One nation after another has rejected silver as a money metal. In 1871 all the mints of continental Europe, except those of Portugal and Turkey, were open to the free coinage of silver into full legal tender money; and the mints of at least Holland, Austria and Germany were closed to gold (6).

To-day not a mint in all Europe is open to the free coinage of silver (7).

Let us see the order in which the nations relegated silver to a secondary place as money.

1865—At the formation of the Latin Union Italy, Switzerland and Belgium insisted strenuously upon the adoption of the gold standard, but were overruled by France (8). This union was an international bimetallic league. The states of the church joined it in 1866; Greece and Roumania in 1867. In 1785 France adopted the ratio of 15½ to 1. It is the ratio of the Latin union and of Europe generally.

1867—The international monetary conference met at Paris for the purpose of discussing a uniform system of coinage throughout the world, and was attended by delegates from nineteen countries. With the exception of the delegates from Holland, the delegates unanimously "recommended the establishment of the single standard of gold, with silver as a subsidiary minor coin" (9).

1871—Germany prohibited the coinage of silver, and estalished the coinage of gold. She did not demonetize any of her silver coins. The future policy of the government with reference to silver was plainly

indicated by the sixth section of the law passed at that time—"Until the enactment of a law for the redemption of the large silver coins, the making of gold coins shall be conducted at the expense of the empire" * * * (10).

1872—The Scandinavian Union, composed of Norway, Sweden and Denmark, "entered into a monetary treaty, adopting gold as the sole standard of value and making silver subsidiary, to be coined only for change purposes" (7). These states threw a large part of their silver coins on the market as bullion.

1873—The United States dropped the standard silver dollar from our list of coins, and adopted the gold dollar as the unit of value. No silver coins were demonetized by this law (12).

1873—Germany limited the legal tender quality of her silver coins to $5, and began to sell her silver coins as bullion. She sold vast quantities of these, and at a loss of nearly 10 per cent. from their face value (13).

1874—In January the Latin Union limited the coinage of silver in order to keep gold in circulation. Silver, being cheaper than gold at the mint ratio, was being presented in immense quantities for coinage. In 1871-2 only 5,000,000 francs' worth of silver was presented at the French mint for coinage; in 1873 154,000,000 francs' worth was thus presented. So it was at the mint of Belgium (14).

1874—In June the United States limited the legal tender quality of all silver coins to $5 (12).

1875—Holland prohibited the coinage of silver, and adopted the gold standard.

1876—France stopped the coinage of silver and has coined none since.

1876—Russia prohibited the coinage of silver, except for Chinese trade.

1878—Spain prohibited the free coinage of silver.

1878—The Latin Union stopped the coinage of silver.

1879—Austria-Hungary prohibited the free coinage of silver, and has since adopted the gold standard.

1890—Roumania adopted the gold standard and threw a lot of silver coins on the market as bullion.

1893—India, which for many years had been coining silver at the average rate of $36,000,000 per year, stopped the coinage of silver.

We are the only nation that has since 1873 taken any action looking to a larger use of silver as money. Absolutely, and also in proportion to the world's production of silver, we have used a vastly larger amount of silver money than we did before, and hence have made a greater demand for silver, and hence have done more to keep up its value.

From 1793, when our coinage began, up to and including 1873, our total silver coinage was $147,488,898.30—an average annual coinage of $1,820,850. From 1874 to 1893 inclusive, our total silver coinage was $525,220,370—an average annual coinage of $26,261,185 (15).

From 1853 to 1873 inclusive we coined into legal tender money only $5,524,348 of silver. To say nothing of $136,000,000 of treasury notes now outstanding, based upon silver bullion, and redeemable in coin, we have, since 1873, coined into full legal tender money $426,289,916 of silver.

However, had we not demonetized silver in 1873, we would since then have made a greater demand for and use of silver as money than we have; and remone-

tization would tend in slight degree to advance the price of silver.

Populists say that the demonetization of silver is the sole cause of its depreciation. Grant this for the moment. Demonetization by whom? Not by the United States alone. If our demonetization of silver tended to lower its price, its demonetization by so many other countries, some of which threw their silver coins on the market as bullion, also had that effect. Germany alone thus sold silver coins to the amount of about $150,000,000.

If this were the only country that has lowered the price of silver by demonetizing it, then remonetization by this country alone, other conditions remaining the same, would restore its value. But we see from the above chronological statement that it has required the demonetization of silver by nations with an aggregate population of 600,000,000 to drag the price of silver down to where it is to-day; and the full effect of all this hostile action has not yet been felt. Were it not for the hope of legislation favorable to silver it would sink much lower in price. The countries named above do a large part of the business of the globe, and largely determine the value of everything used in civilized countries. With so much of the world pulling the price of silver down we alone cannot lift it up to its former price. This country alone cannot make a demand for silver as great as the demand that would have been made by the 600,000,000 had they not demonetized silver; therefore our demand alone cannot bring the price of silver up to where it was formerly.

But the preference on the part of the leading commercial nations of the world for gold rather than silver

as money is not the only cause for the depreciation of silver in value, as compared with gold.

Another cause is the constant and enormous increase in the production of silver.

The following table shows the world's average annual production of gold and silver, in ounces, from 1851 to 1894, in periods of five years, except the last period, which is of four years:

Period.	Gold.	Silver.
1851-1855	6,410,324	28,488,597
1856-1860	6,486,262	29,095,428
1861-1865	5,949,582	35,401,972
1866-1870	6,270,086	43,051,583
1871-1875	5,591,014	63,317,014
1876-1880	5,543,110	78,775,602
1881-1885	4,794,755	92,003,944
1886-1890	5,461,282	108,911,431
1891-1894	7,434,363	155,522,638

Every intelligent man knows that when the mines of California and Australia vastly increased the production of gold it became cheaper, measured by silver, than it was before. So it is now with silver. If, during the past twenty-five years, silver had been, in the estimation of the world, as desirable for money as it was before, and if it had been admitted to the mints as freely as gold, its increased production would probably have caused only a slight decrease in value as compared with gold. But, coupled with the decreased demand for silver, its increased production has contributed powerfully to its fall in value.

The author has no hesitancy in asserting that he has given the two chief causes for the low price of silver; namely, the fact that nations with an aggregate population of over 600,000,000 have, since 1871, shut off, almost entirely, their demand for silver as money, and the fact that for the last forty-five years there has

been a vast increase in the production of silver with no corresponding increase in the production of gold.

If this is so, then it is utterly unreasonable to believe that the unfavorable effect upon the price of silver produced by these powerful causes could be counteracted and nullified by the favorable effect upon the price of silver produced by its remonetization by this country alone.

In 1857 Germany and Austria demonetized gold and established silver as the standard of value (17). How much did their action increase the gold price of silver bullion? One hundred per cent.? No. Thirty per cent.? No. Three per cent.? No. Then why should remonetization of silver by the United States greatly increase the gold price of silver bullion?

In 1816 England demonetized silver and established the gold standard. How much did her action increase the price of gold bullion? "Coin" says that "the parity of the two metals was not affected" by England's action (18). Then why expect our remonetization of silver to greatly increase its price in gold?

The fact is that the effect upon the value of either metal resulting from its remonetization or demonetization by a single country is slight. The causes regulating the relative values of gold and silver are worldwide, and far more powerful than the influence of any one country.

Since our remonetization of silver would but slightly advance the price of silver bullion, the result of free coinage would be, practically, silver mono-metallism, with our standard of value decreased about one-half.

The sudden change from the gold basis to a practical silver basis with the silver dollar, worth about 50 cents in gold, as the standard of value, would without

doubt produce a financial crash such as has never been known in our history. The currency would at once be contracted by the withdrawal of more than half a billion dollars of gold from circulation. There would probably be a general run on the banks of the country, started by depositors who desired to obtain gold and continued by those glad to receive any kind of money before the banks closed their doors and went into the hands of receivers. There would be a universal unsettling of values and paralysis of business.

Laboring men would suffer the most of all. Those who sold them goods would at once advance the price about 50 per cent. in order to protect themselves against loss because of the cheaper money in which they were paid; but those who employed them would be slow to advance their wages. It is an undisputed fact that in a period of rising prices the price of labor does not rise as rapidly as the price of commodities. Vast numbers of men are under contract to work for a certain time for a given number of dollars per week or per month. Provided the general stagnation of business did not throw them out of work altogether, these would be paid as many dollars as they contracted for—but the dollars would be cheaper dollars.

In 1894 there were in this country 4,777,687 depositors in the savings banks, with an average deposit of $365.86 each. There were 1,925,340 depositors in the national banks, of whom 1,724,077 had less than $1,000 each. There were 1,436,638 depositors in state and private banks and loan and trust companies. Instead of being paid as good money as they had paid to these corporations, all these depositors would be paid, if at all, in silver dollars—thus losing about half the value of their deposits. So it would be with the bene-

ficiaries of the millions of life insurance policies more or less paid up. Nine hundred and seventy thousand pensioners would have their pensions reduced nearly 50 per cent. in value. Corporations and capitalists that have loaned money have made themselves safe by stipulating that they shall be paid in gold. The great loss would fall mainly upon those least able to bear it, though all would suffer more or less in the general ruin. Our credit abroad would be injured for many years to come.

To say nothing of the fearful financial disaster caused by the sudden change from the gold basis to the silver basis, it is far better to have gold as our standard of value, with a large amount of silver in use, than to have silver as our standard of value, with no gold coin in use.

1—"Coinage Laws of the United States, 1792 to 1894," p. 105; Report Director of Mint, 1893, p. 40. 2—Cong. Record, Vol. 25. part 3, appendix, p. 625. 3—Cong. Record, March 24, 1892, p. 2,512. 4—Cong. Record, Vol. 25, part 3, appendix, p. 361. 5—Statistical Abstract of United States, 1894, p. 279. 6—Senators Jones and Cockrell, Cong. Record, Vol. 25, part 3, appendix, pp. 252, 651; Stewart, Cong. Record, September 5, 1893, p. 1,233. 7—Mr. Leech, ex-director of mint, Cong. Record, August 30, 1893, p. 1,060. 8—Report Monetary Commission, 1876, p. 16; Laughlin's "History of Bi-Metallism," p. 148. 9—Senator Cockrell, Cong. Record, Vol. 25, part 3, appendix, p. 258; Laughlin, p. 153. 10—Report Monetary Commission, 1876, p. 17; Laughlin, p. 137. 12—"Coinage Laws," etc., pp. 36, 59. 13—Laughlin, p. 138; Cong. Record, August 30, 1893, p. 1,060. 14—Laughlin, p. 155. 15—Report Director of Mint, 1893, pp. 303, 307. 17—Speech of Senator Jones in senate, May 12, 13, 1890, printed in pamphlet form, p. 20. 18—"Financial School," p. 142.

NOTE - On page 69 instead of $150,000,000,000, read $150 000,000.